



Employer administration guide

Career Average Revalued Earnings



The Pensions Trust



Employer administration guide

1. 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 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

- 1.1 Members must also complete the option of which fund they wish to receive any personal allocation from scheme surplus
- 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 the scheme rules
- 3 Once the 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 application form

Prompt submission of application form

An employee will not be classed as a member of the scheme until a completed application form, signed by both the employer and the employee, has been received by The Pensions Trust. 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 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 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 Pensions Trust

Transfers of pension benefits from other schemes are allowed subject to various criteria set by the Trustee. 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.

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 revaluation of scheme benefits is always 1 April, regardless of the above.

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 and, where applicable, National Insurance.*



To assist you in providing help for your members we have enclosed an 'Employee Cost Calculator' in Section 7 which will calculate the net cost to the member.

*If you offer the **CARE 80th** option, members will be contracted-out of the additional State Pension Scheme and will therefore benefit from National Insurance savings.

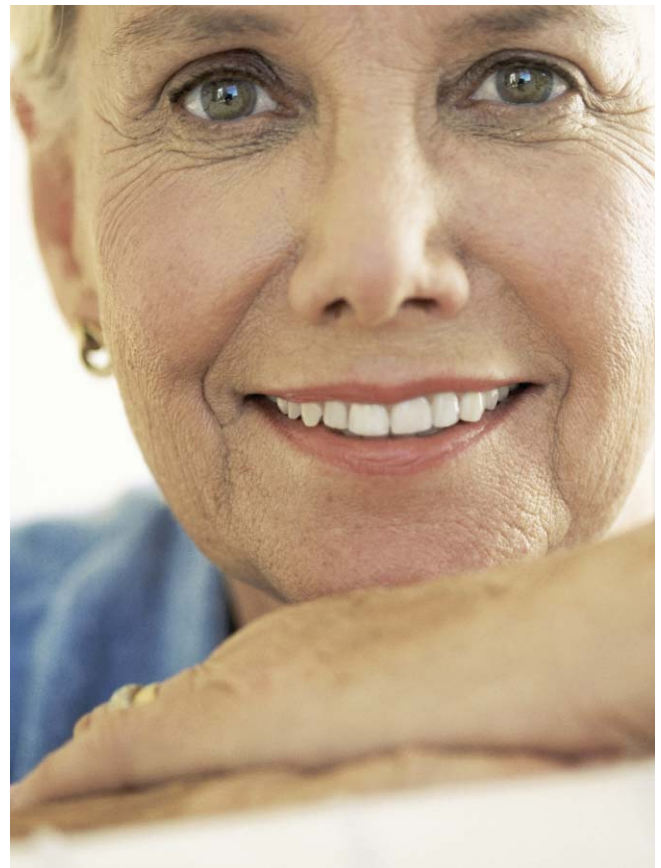
*Alternatively, if you have chosen the **CARE 100th** option, which is not contracted out, National Insurance savings will not apply to members. Under this option employees will accrue benefits in the additional State Pension Scheme whilst they are members of CARE.

2. Leaving or Temporary Absence

What to do when an employee is absent from work

Maternity leave

- 1 If the period of maternity leave is paid, covered by Statutory Maternity Pay (SMP) or Maternity Allowance (MA) you must continue to pay contributions. Please inform us, in writing, the date that maternity leave starts
- 2 For any periods of *paid* maternity leave, you should calculate the total employer and employee contributions by reference to the salary the employee would have been paid if she were not on maternity leave
- 2.1 The contributions you *deduct* from the employee's salary should be calculated by reference to the pay she actually receives from you



2.2 It is a requirement under the rules of the Scheme that during *paid* maternity leave, the employer pay both employee and employer contributions (based on the salary that she would have received if she were not on maternity leave), less the amount of employee contributions actually paid by the member (see 2.1). Where a member has statutory entitlements, benefits have to be provided, and therefore contributions have to be paid, for at least the first 26 weeks of maternity leave

- 3 For any periods of *unpaid* maternity leave, where normal contributions are not paid, you will in due course need to pay contributions to maintain death-in-service cover
- 4 When the employee returns to work you should inform us, in writing, and resume

deducting contributions as normal. The member may also choose to pay arrears of contributions, in which case the corresponding employer contributions must also be paid

Sick leave

- 1** For sickness absences of up to one year, both employer and employee normally continue to pay contributions while the employee is receiving pay. Alternatively, the employee may choose to stop contributing during this period, in which case no contributions are due from the employer
- 2** Where the employee receives a reduced salary, contributions should be calculated by reference to the reduced salary and these reduced contributions should be deducted from the employee's salary. Please notify The Pensions Trust, in writing, as soon as an employee goes on to reduced pay
- 3** If the absence is likely to extend beyond one year, please contact The Pensions Trust, as continued membership is at the discretion of the Administrator and is subject to certain conditions
- 4** When the member returns to work you should resume deduction of contributions as normal
- 5** If the member wishes to pay arrears of contributions, then corresponding contributions from the employer must also be paid. Please ask for details if this is being considered

Other reasons

If a member is temporarily absent from work for reasons other than illness or pregnancy

(e.g. parental leave or 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's home address outlining the options available:
 - **A deferred pension** – The pension remains in the CARE Pension Scheme and continues to increase while in deferment. Deferred members continue to participate in any allocation of scheme surplus. Before 6 April 2010 benefits can be taken from age 50. From 6 April 2010 members must be age 55 to receive their benefits unless they joined the Scheme before 6 April 2006 (in which case the minimum age remains age 50)
 - **A transfer** – It may be possible for the member to transfer the 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, and the deductions from the refund will depend on whether the member was in CARE 80^{ths} or CARE 100^{ths}

In **CARE 80^{ths}** the member will receive a refund of only their own contributions which they have paid into the scheme. An amount is also deducted to buy the member back into the additional State Pension Scheme. The first £10,800 of any refund will be taxed at 20%. Any amount in excess of £10,800 will be taxed at 40%.

In **CARE 100^{ths}** the member will receive a refund of only their own contributions which they have paid into the scheme. The first £10,800 of any refund will be taxed at 20%. Any amount in excess of £10,800 will be taxed at 40%.

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 Section 3 – ‘Retirement and Death’ 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 the agreement of their employer and The Pensions Trust.

3. Retirement and Death

When an employee retires before Normal Pension Age

Normal Pension Age (NPA) for 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.

Benefits can be taken from age 50 if they are taken before 6 April 2010. From 6 April 2010 a member must be age 55 to receive their pension unless they joined the Scheme before 6 April 2006 (in which case the minimum age remains age 50).



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 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

If the employee decides to take their pension early, please notify The Pensions Trust who 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 Normal Pension Age

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 a completed withdrawal form.

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 we must be satisfied that the employee will be unable to work again, in any capacity, before reaching Normal Pension Age. If the pension is paid, it will be at a higher rate than if the employee had voluntarily elected to retire earlier than the Normal Pension Age.

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 50 (age 55 from 6 April 2010) 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 twelve 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.

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 CARE Pension 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.

4. 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
- 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 e-mail to:

contributions@thepensionstrust.org.uk



5. 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
- 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 e-mail.

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

If you are unable to provide this information in the preferred format, or your expected membership is less than 10, 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

Change of name/status

We are unable to accept such changes over the telephone or by e-mail. 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.

6. Additional Voluntary Contributions (AVCs)

Employees who are members of the CARE Pension 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.

The old Inland Revenue limits on how much members can pay have now been abolished. Although there are restrictions on the amount of contributions which can receive tax relief, this is the responsibility of the member, not the employer. Further information is provided in the AVC section of the 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 should 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.

7. Employee Cost Calculator

Calculation of the net cost to the employee of CARE 80^{ths}

The Government encourages employees to join pension schemes by granting tax relief on their contributions. Also, CARE 80^{ths} is contracted-out of the additional State Pension Scheme and so employees pay a lower rate of National Insurance. When these are taken into account the net cost to the member is considerably less than the gross employer contribution.

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

A - Gross contribution

Contribution Rate x £annual salary divided by 100 = £gross contributions per annum

Contribution rate example:

Age at date of joining = 35 divided by 10 = 3.5%

$$\frac{3.5 \times \text{£}10,000}{100} = \text{£}350.00$$

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

B - National Insurance savings

Salary p.a.
 (- lower earnings limit*)
 x 0.016** = p.a.

*Please consult the payroll or personnel department for the up-to-date figure (currently £4,368.00 per annum for the 2006/2007 tax year). If earnings exceed the upper earnings limit (£33,540.00 for the 2006/2007 tax year), then the maximum saving will be attained (£466.75 for 2006/2007).

Note: 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	Employee's highest
See A	tax rate
<input type="text" value="£A"/>	x 10% or 22% or 40%
= <input type="text" value="£C"/>	p

Note: Someone who is only just into either the 22% or 40% tax band will only get tax relief at

22% or 40% on part of their contributions. Income tax rates may change in the future. Please contact the payroll department for up-to-date rates.

D - Net cost

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

$$\text{£A} \div 12 = \text{£} \text{ per month}$$

Monthly Net cost to employee is:

$$\text{£A} - \text{£B} - \text{£C} \div 12 = \text{£D}$$

Example

Age at date of joining = 35
 Contribution Rate = 35 divided by 10 = 3.5%
 Salary = £10,000 per annum

A Gross contribution

$$\frac{3.5 \times 10,000}{100} = \text{£}350 \text{ per annum}$$

B National Insurance savings

$$\text{£}10,000 - \text{£}4368 \times 0.016 = \text{£}90.11 \text{ per annum}$$

C Tax relief

$$\text{£}350.00 \times 22\% = \text{£}77.00 \text{ per annum}$$

D Net cost

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

$$\frac{\text{£}350.00}{12} = \text{£}29.17 \text{ gross contribution per month}$$

Monthly Net cost to employee is:

$$\frac{(\text{£}350 - \text{£}90.11 - \text{£}77.00)}{12} = \text{£}15.24 \text{ net contribution per month}$$

Calculation of the net cost to the employee of CARE 100^{ths}

The government encourages employees to join pension schemes by granting tax relief on their contributions. When this is taken into account the net cost to the member is considerably less than the gross employer contribution.

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

A - Gross contribution

Contribution rate x £annual salary divided by 100 = £gross contributions per annum

Contribution rate example:

Age at date of joining = 35 divided by 10 less 1 = 2.5%

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

B - Tax relief

Gross contribution Employee's highest
See A tax rate

x 10% or 22% or 40%
= pa

Note: Someone who is only just into either the 22% or 40% tax band will only get tax relief at 22% or 40% on part of their contributions.

Income tax rates may change in the future.

Please contact the payroll department for up-to-date rates.

C - Net cost

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

Divided by 12 = per month

Monthly Net cost to employee is:

- Divided by 12 =

Example

Age at Date of Joining = 35

Contribution Rate = 35 divided by 10 less 1% = 2.5%

Salary = £10,000 per annum

A Gross contribution

$\frac{2.5}{100} \times 10,000 = £250$ per annum

B Tax relief

$£250.00 \times 22\% = £55.00$ per annum

C Net cost

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

$\frac{£250.00}{12} = £20.83$ gross contribution per month

Net cost to employee is:

$\frac{(£250.00 - £55.00)}{12} = £16.25$ net contribution per month

8. 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 CARE scheme is a multi-employer defined benefit scheme and is therefore 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 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 benefits schemes at the present time, the CARE 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 72%. Whilst, this is better than many defined benefit schemes in the UK it does mean that if a solvent employer withdraws from the CARE 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 CARE scheme by, or on behalf of, any active members and if the employer no longer has any employees who are eligible to join the CARE scheme.

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 members, showing their accumulated benefits, each year.

Scheme literature

Copies of the latest documents are included within this guide. Should you require any additional copies please telephone us direct on: 0845 608 5252 or e-mail us at: enquiries@thepensionstrust.org.uk

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

The Pensions Trust – CARE Scheme

Verity House
6 Canal Wharf
Leeds
LS11 5BQ
Telephone: 0113 394 2736
e-mail: enquiries@thepensionstrust.org.uk

Verity House
19 Haymarket Yards
Edinburgh
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Telephone: 0131 341 1200
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