

H M Treasury



**Parliament Street
London SW1P 3AG**

DAO(GEN)8/94

1 August 1994

Dear Accounting Officer

RATES OF CHARGE FOR PENSION COSTS

This letter gives the revised rates of accruing superannuation liability charges (ASLC) for non-industrial staff which will come into effect from 1 April 1995 following a move to grade-banded charges. The charges are payable by all bodies with staff pensionable under the Principal Civil Service Pension Scheme (PCSPS).

Background

2. The Treasury's letter of 5 March 1993 on pensions costs and market testing proposed to departments that the standard PCSPS accruing superannuation liability charge of 13½ per cent of pensionable pay for non-industrial staff should be replaced from 1 April 1995 by four bands of charge. Departments and payroll centres were asked for their views on whether grades or salary should form the basis on which staff were placed in the bands.

3. The majority view was that grade banding should, at least initially, form the basis of the new pension charging system. Departments were informed of this outcome through DAO(GEN)6/93 dated 21 May 1993.

Revised superannuation charges

4. The current rates of accruing superannuation liability charge were promulgated by DAO(GEN)18/92 dated 15 September 1992. With effect from 1 April 1995, the following revised rates of ASLC for non-industrial staff, expressed as a percentage of pensionable pay, will apply in respect of all staff who are members of the PCSPS:

Grades AO (and equivalent) and below	11 per cent
Grades EO to SEO	14 per cent
Grades 7 to 5	17 per cent
Grades 4 and above	19.5 per cent

The rate of 12 per cent for industrial staff remains unchanged, as does the rate of 21.5 per cent payable by the Home Office and Scottish Office in respect of prison officers employed on pre 'Fresh Start' terms.

Calculation and payment of ASLCs

5. The arrangements for the calculation and payment of ASLCs to the Civil Superannuation Vote are set out in the annex to DAÓ(GEN) 18/9 2 (copy attached for ease). These remain extant, except that forms RFT2 and ASLC should be sent to the Finance Division of the Treasury (Room 1004, Alencon Link, Basingstoke), not Paymaster.

Action

6. Civil Service Pensions Division of the Treasury will shortly be contacting payroll centres about the necessary system changes to bring in banded charges. Contact will also be made with employing departments and agencies to confirm, following the adjustments made at the time of the recent baseline exercise, the bands for departmental grades.

7. Employing departments and other bodies are asked to contact their payroll centres to authorise the calculation and payment of ASLCs payable monthly from 1 April 1995 using the revised rates. They should also make the necessary arrangements with their payroll centre for pre-funding of ASLC payments on the same basis as for payments of salary to ensure that all payments due in a financial year are brought to account in that financial year.

8. The revised rates should also be applied from 1 April 1995 where PCSPS members are seconded to an outside employing body, and for calculating the costs and charges for the provision of services. They are already in use for market testing purposes.

9. Departments should ensure that copies of this letter are made available to their agencies and non-departmental public bodies who participate in the PCSPS. Thank you.

Enquiries

10. Any enquiries about the arrangements for the calculation and payment of ASLCs should be addressed to Mr Owen Collins, Civil Service Pensions Division, telephone 0256 846398 (GTN 1439 6398). Any enquiries about the use of ASLC rates in calculating pension costs for the purpose of assessing fees and charges should be addressed to the departmental fees and charges co-ordinator. All other enquiries should be addressed to departments' normal contact points in Treasury expenditure divisions.

Yours sincerely

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Second Treasury Officer of Accounts

PROCEDURE FOR CALCULATION AND PAYMENT OF ASLCs

Calculation

The payroll centre will calculate each month, the gross pensionable pay bill for the employing body in question in respect of industrial and non-industrial staff on the basis of pensionable pay used for the calculation of PCSPS benefits (as distinct from pensionable emoluments used in the calculation of contributions to the widows/widowers pension scheme). The appropriate rates of ASLC will then be applied by the payroll centre to the pensionable pay bill figures to determine the amount to be paid to the Paymaster General's Office (PGO) for appropriation in aid of the Civil Superannuation Vote. The calculation will normally take place when all pay calculations for the month have been completed. This should ensure that the correct monthly charge is paid.

Payment

2. Payment of ASLCs to PGO will take place each month and will be made separately from any other payments (eg widows/widowers pension contributions). In most cases the most appropriate method of payment will be the request for transfer (RFT) procedure, which enables a transfer to be made in one day where both the payer and recipient have accounts at PGO. Where the paying body does not have an account at PGO or transfers ("write-offs") between Bank of England accounts are not appropriate, payroll centres will use the most cost-effective means available. Electronic funds transfer by CHAPS provides the quickest method of payment, being accomplished in one working day. The minimum payment that may be made by CHAPS is £1,000. Commercial banks' charges vary, but typically can be around £15 per item. The much cheaper BACS method, which takes three working days, may also be used where time permits.

3. The Civil Superannuation Vote must receive all amounts due to it in a financial year in respect of ASLCs by the end of that financial year. In March it may not be possible for the ASLC to be calculated with total accuracy before the end of the month. It may therefore be necessary for a payment to be calculated and paid before all pay calculations for the month have been completed in order to ensure its receipt by PGO before the end of March, with a small adjustment made later. Pre-funding of the payroll centre for the ASLC payment on the same basis as for pay will enable this adjustment to be brought to account in the same financial year as the main payment.

Accounting statements

4. The payroll centre will provide bodies paying ASLCs with monthly accounting statements of the payments made.