
This bulletin from the Staffordshire Pension Fund, focuses on the Local Government Pension Scheme (LGPS) implications for Employers as a result of the COVID-19 outbreak.

Issue April 2020

Introduction

We understand that the current situation around COVID-19 continues to cause significant concern and uncertainty. However, we want to reassure you that we have taken a number of important steps to ensure we continue to support and work with you during these difficult times.

Therefore, in this edition we have set out a number of things we are doing to try and reduce the service impact to Employers and the most frequently asked questions for Employers regarding the impact of COVID-19.

In this edition we have also covered other topics affecting the LGPS.

Service Delivery

During this very difficult period, all our staff are now set up to work from home. At times, this may lead to issues with technology and capacity which may also impact on service levels, with longer wait times and urgent calls being prioritised.

Due to the fact we are working from home, the Pensions Team has limited access to post and printing facilities. In view of this, if you need an update on when you can expect to hear from us, please contact us by email, providing relevant information and a brief summary of your enquiry. We will then respond to you as soon as we can.

- **Email:** pensions.employers@staffordshire.gov.uk



Critical Scheme Processes

The COVID-19 pandemic is placing huge pressures across the LGPS, which will likely affect non-critical scheme and member activities and service level targets. We are working extremely hard to minimise any reduction in the high-quality pension services we currently provide to all our stakeholders.

However, in line with the Pension Regulators (TPR) guidance we must give priority to ensure we deliver the following critical processes.

- Paying Members' pension benefits
- Retirement processing
- Calculation and payment of dependents pensions and lump sums following the death of a Pensioner or Member
- Processing to ensure Members' benefits are accurate i.e. processing Employer's annual returns and monthly i-Connect returns

What can you do to help us?

As we now have very limited access to post facilities, we would encourage all Employers to continue to complete leaver forms etc online, via the Fund's website, or alternatively print forms, complete, scan and email them to the address below.

- **Email:** pensions.employers@staffordshire.gov.uk

You can also help us by:

- Using our website where possible
- Emailing us, if you need to contact us
- Calling us, only if your query is urgent
- Encouraging Members to use our online "My Pensions Portal" to check **their** pension record, estimate their retirement benefits and to update their personal details

N.B. We will continue to update our website with all the latest information as the situation develops.



Frequently asked LGPS questions for Employers on COVID-19

Can Employers delay or pause paying Employee contributions?

No, regulations confirm that Employee contributions must be submitted to the administering authority in line with the timescales in the Pensions Act 1995. That is, by either the 22nd (where they are paid electronically) or the 19th of the month following the last day of the month in which the contributions are deducted.

If an Employer fails to submit Employee contributions on time, paragraph 148 of [TPR Code 14](https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice) (<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>) states that where 'the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, they must give notice of the failure to the regulator and the member within a reasonable period after the end of the prescribed period'.

Please contact the Fund at the earliest opportunity if your organisation is likely to encounter difficulties in paying Employer pension contributions.

A Member is on emergency volunteering leave, on what pay are Employer and Employee pension contributions determined?

Employer pension contributions will be based on [assumed pensionable pay \(APP\)](https://www.staffspf.org.uk/Employers/Guides-and-factsheets/Assumed-pensionable-pay/A-guide-to-assumed-pensionable-pay-APP.aspx). (<https://www.staffspf.org.uk/Employers/Guides-and-factsheets/Assumed-pensionable-pay/A-guide-to-assumed-pensionable-pay-APP.aspx>)

Employee pension contributions will be based on the amount of the Employee's actual pay during [emergency volunteering leave \(EVL\)](https://www.nidirect.gov.uk/articles/emergency-volunteering-leave) (<https://www.nidirect.gov.uk/articles/emergency-volunteering-leave>). All scheme discretions (administering authority and employing authority) should operate in the same way as if the Member were receiving normal pay.

An active Member is seconded as part of the emergency staffing to the NHS; how does this affect their pension benefits?

If any LGPS Members are seconded on [emergency staffing](https://www.gov.uk/government/publications/coronavirus-bill-summary-of-impacts/coronavirus-bill-summary-of-impacts#section-1--enhanced-capacity-and-flexible-deployment-of-staff) (<https://www.gov.uk/government/publications/coronavirus-bill-summary-of-impacts/coronavirus-bill-summary-of-impacts#section-1--enhanced-capacity-and-flexible-deployment-of-staff>) to the NHS, their pension benefits continue on the same basis as before the secondment.



Is furlough pay pensionable?

Yes, furlough pay is pensionable pay under the regulations. Employee and Employer contributions should be deducted based on the actual pay the furloughed Employee receives. Assumed Pensionable Pay does not apply.

Can Employers reclaim pension contributions from furlough pay?

Employers can only claim pension contributions for furloughed Employees up to the minimum required for automatic enrolment, that is 3% of income above the lower limit of qualifying earnings (which is £512 per month until 5th April and will be £520 per month from 6th April 2020 onwards).

How will furlough pay affect pension build up?

Members will continue to build up CARE pension based on the actual pay they receive. If the furlough pay is less than their normal pay (because the Employer chooses not to top up pay to 100%), the pension they build up will also be less.

They can choose to buy additional 'extra' pension to make up for the pension lost during this period. The Employer is not obliged to split the cost with the Member but can choose to do so.

Final salary benefits are usually calculated using the pensionable pay earned in the year before leaving the scheme; however, one of the two previous years' pay is used, if higher. This should prevent final salary benefits from being detrimentally affected if the member's pay is reduced due to being on furlough.

How will being on furlough leave affect a Member's death in service benefits?

[Assumed pensionable pay \(APP\)](https://www.staffspf.org.uk/Employers/Guides-and-factsheets/Assumed-pensionable-pay/A-guide-to-assumed-pensionable-pay-APP.aspx) (<https://www.staffspf.org.uk/Employers/Guides-and-factsheets/Assumed-pensionable-pay/A-guide-to-assumed-pensionable-pay-APP.aspx>) is used in the calculation of the death grant and any survivor benefits if a Member dies in service. APP is usually calculated using the average pensionable pay the Member receives in the three months before the pay period in which they die.

If a Member receiving reduced furlough pay dies in service, Employers should make use of the provision in the regulations that allows them to substitute a higher pay figure to reflect the pensionable pay the Member would normally have received.



When determining the employee contribution rate on 1 April 2020, should furlough pay be used?

Yes, if furlough pay forms all or part of a member's pensionable pay it should be used to determine the employee contribution rate on 1 April 2020.

Regulations in England and Wales and Northern Ireland provide that where there is change to employment, or a material change, during the year, the employer may make a further determination and reallocate a member to a different band. The employer must notify the member if they reallocate a member to a different band.

Deadline for Employers' submissions (except Employers using i-Connect)

We would like to remind all Employers that the submission of data for the financial year ending 31 March 2020 **must** be received by Pensions Services no later than **24 April 2020**, in order that we can comply with the requirement to issue Annual Benefits Statements within statutory time limits. This deadline will allow for data validation processes to be completed and any necessary data cleansing to be performed prior to the issue of our Members' Annual Benefit Statements.

Failure to respond by 24 April 2020 will result in the late issue of Members' Annual Benefit Statements, which constitutes a breach of law and which further invokes a legal requirement for the breach to be reported to the Pensions Regulator, exposing both the Employer and the administrator to the risk of censure and financial penalty.

Please contact us immediately if you can't comply in the current circumstances or foresee any problems with meeting this deadline.

Actuarial Valuation as at 31 March 2019

The Actuarial Valuation of the Fund, which takes place every 3 years, reviews current funding plans and sets contribution rates for the Fund's participating Employers for the period from 1 April 2020 to 31 March 2023. A full copy of the Actuary's report, which summarises the outcomes of the valuation and the underlying advice the Actuary has provided to the Administering Authority throughout the valuation process, is now available on our website:

<https://www.staffspf.org.uk/Finance-and-Investments/Actuarial-valuation-report/Actuarial-Valuation-Report.aspx>



Actuarial Strain Cost for Early Retirement – New Factors from 1 May 2020

Employers will be aware that, when your organisation agrees to an early retirement from age 55 for an Employee who is a member of the LGPS, typically on grounds of redundancy, business efficiency or 'flexible retirement', there can be an additional Employer's contribution payable to the Pension Fund; this additional payment is known as 'Actuarial Strain' and represents the cost to the Employer of permitting the early payment of a pension benefit.

At each triennial valuation, the Fund Actuary reviews the factors which are used in the Actuarial Strain calculation. The revised factors have now been agreed and, this time, have the effect of decreasing the actuarial strain costs in the majority of cases.

The Fund will implement the new factors for any retirements which take place after **30 April 2020**.

N.B. In cases where the Employee chooses to retire from age 55 without their Employer's agreement, then no early retirement cost applies, and the Employees' pension benefits are reduced accordingly.

Employer Training

The Fund normally holds an Employer Training Day in June as well as quarterly Training Sessions for new Academies. Under the current restrictions we are unable to host such events but do hope to resume them when restrictions are lifted.

In the meantime, if you do have any questions, issues or concerns, either individually or as a small group then please contact us about the subject matter and if we do not already have training materials available, then we will be happy to provide suitable remote training in a mutually convenient form.

If you require any further information or clarification, please do not hesitate to contact Martin Griffiths, Communication Officer
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