
This bulletin from the Staffordshire Pension Fund, focuses on current issues that you should be aware of relating to the Local Government Pension Scheme (LGPS)

Issue January 2022

Preparing for the Fund's April 2022 Actuarial Valuation

Completing an actuarial valuation every 3 years is one of the most important functions we undertake in administering the Fund. It is a statutory obligation and measures the financial position of the Fund, and the individual Employers, in terms of assets relative to its liabilities.

One of the main outputs is the individual Employer contribution rates for the following 3 years, which in this case will begin with the contribution rates for the 2023-2024 financial year.

The formal valuation will be based on the membership data as at 31 March 2022 and **all** Employers need to ensure that the information the Fund holds is up to date for their own employees.

Annual Employer Returns 2021 -2022

In February 2022, as in previous years, we will provide Employers with detailed guidance notes and an annual Employer return template for 2021-2022, to return to us by the third week in April.

In the meantime, to assist with ensuring the accuracy of your data and the calculation of correct pension liabilities, it is imperative that you complete the leaver and new starter forms for all Employees who have left or joined your organisation during 2021-2022 and return them to the Fund.



Why is clean and accurate data important?

Because:

- reliable and accurate data is the cornerstone of the Fund's valuation;
- any error in the annual Employer returns will lead to an incorrect value being placed on an Employer's assets and liabilities which ultimately feeds into your Employer contribution rate;
- any error in the information provided for an individual would result in the members' annual benefit statements and records being permanently incorrect;
- increased scrutiny from the national Scheme Advisory Board means clean data has taken on increased significance;
- the Pensions Regulator introduced Code of Practice 14 in April 2015. This has key requirements in relation to record-keeping that administering authorities and employers have a duty to comply with; and
- ultimately this information will be used to ensure that the right pension is paid to the right person at the right time.

Important – CARE pay that should include Assumed Pensionable Pay (APP)

Assumed pensionable pay provides a notional pensionable pay to ensure a member's pension is not affected by any reduction in pensionable pay, due to a period of sickness or injury on reduced contractual pay or no pay, or relevant child related leave, or reserve forces service leave.

Why is APP so important?



Since 1 April 2014, a member's pension has been linked to their earnings in each financial year. For every year they are a member of the scheme they add pension to their individual account.

The pension added each year is based on 1/49th of earnings for that year (1/98th if the member has opted to be a member of the 50/50 section of the scheme).

The pension account is then revalued each year by change in the consumer price index (CPI) up to their retirement date. This is known as a career average revalued earnings (CARE) pension.

Example calculations of CARE pensions for the financial year 2021-2022

Member A

A member who earns £20,000 from 1 April 2021 to 31 March 2022 will build up 1/49th of that pay towards their pension account for that year.

i.e., $£20,000 \times 1/49\text{th} = £408.16$ per annum pension

Member B

If we take an identical member who has been on reduced pay of £15,000 due to sickness or relevant child related pay during the same period 1 April 2021 to 31 March 2022.

i.e., $£15,000 \times 1/49\text{th} = £306.12$ per annum pension

- Member A's pension = £408.16 p.a. versus Member B's pension = £306.12 p.a. a difference of £102.04 per annum.
- In this example the member has 'lost pension' of £102.04 per annum, plus future changes in line with consumer price index (CPI).
- This will result in a lower member's or spouse's pension than they are entitled to under the LGPS regulations.

Consequence

In this example, as the member is on reduced pay due to sickness or relevant child related pay, the Employer must include a notional APP of



£5,000, thereby increasing the pensionable pay to the amount the member would have received had they not been on reduced pay.

Under the LGPS regulations the Employer is required to ensure a notional APP is included in the member's pensionable pay which is notified to the Fund in their organisations year end returns. The member's pension contribution is based on actual pay plus APP.

The example above is only a summary of APP. For more detailed information on how APP is calculated, please see the LGPS [Pv4.2c.pdf](https://lgpslibrary.org/Pv4.2c.pdf) (lgpslibrary.org) (external link to a PDF document).

Improving the Ill Health Retirement decision making process.

Scheme Member's Appeals

Local Government Pension Funds (including Staffordshire Pension Fund) continue to have to respond to Scheme members appeals under the Internal Dispute Resolutions Procedure (IDRP) in relation to their Employer's Ill Health decision making process. This has resulted in an increased number of IDRP's and the involvement of the Pensions Ombudsman.

More often than not the member's complaint is based on the medical evidence which the Employer has based their decision on being unsound or missing key elements of that medical evidence.

Consequently, we would like to highlight the importance of Employers obtaining narrative reports from Independent Registered Medical Practitioners (IRMPs) in dealing with ill-health retirement cases.

Narrative Reports

Narrative reports are reports that help Employers to understand the reasoning behind the medical opinion the IRMP has given. As the decision to award an ill-health retirement is that of the Employer, a full understanding of the IRMP's reasoning will be important to minimise the risk of the Employer making a poor or flawed decision, potentially resulting in a mal-administration claim from the member.



Recommendation to Improve the Ill Health Process

Employers will have their own procedures in place. However, we would like to remind Employers that we have previously produced guidelines and template forms (one for active members and separate one for deferred members) which may assist you when you consider a members ill health application (please see the links below).

The guidelines / template sets out:

- the information / reports that the IRMP should provide Employers with.
- the relevant test; and
- the role of the Employer.

Ill Health Template

- Please note the template has been produced to strengthen the Employer's decision-making process and reduce the number of member appeals.
- Completion of the template is optional and once completed, it should be retained by the Employer
- Once completed the template will contain personal and sensitive information, therefore under General Data Protection Regulations the template must not be sent to the Staffordshire Pension Fund, however the Fund will require our completed 'Medical Certificate' from the website.

[Ill Health Guidance Active 2021](#) (395 Kb)

[Ill Health Guidance Deferred 2021](#) (439 Kb)

If you have any questions in relation to the use of these Templates, please contact Simon Jackson (01785) 276450

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Updated Administering Authority Pensions Discretionary Powers

The LGPS regulations states and best practices dictates that Staffordshire County Council as the Administering Authorities for the Staffordshire Pension Fund must have a published Pension Discretionary Powers Policy



Following a recent review, a revised policy was approved by the Staffordshire Pensions Committee on 17 December 2021

- The Policy sets out the criteria that will be considered when making a decision about the use of Administering Authority Discretions and, where appropriate, the policy that will be applied.
- These policy decisions apply to all categories of scheme members (e.g., active, deferred, pensioners, pension credit members and dependents) from the effective date of the policy until such point as the policy is reviewed.

These discretions will be exercised in line with the provisions of the various LGPS Regulations and other legislation. Nothing within this statement can overwrite the legal requirements within those provisions.

You can view the revised Policy at the following link

<https://www.staffspf.org.uk/Governance/Policies/Policies.aspx>

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

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