



**SHROPSHIRE COUNTY**  
PENSION FUND



# Employers meeting 2020





# Agenda

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<b>Covid-19 administration issues</b> <b>Current LGPS news</b>	Rebecca Clough <b>Communications and Governance Team Leader</b>
<b>Year-end overview</b>	Cheryl Morrell <b>Systems Team Leader</b>
<b>McCloud</b>	Debbie Sharp <b>Pensions Administration Manager</b>



# Covid-19 pensions administration

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Rebecca Clough  
Communications and Governance Team Leader



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# Covid-19 and the LGPS

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The Pension Regulator's guidance suggest that the focus of service delivery for pension administrators be on the following areas:

- payment of benefits
- collecting employer contributions
- minimising the risk of scams for members
- supporting good decision making

FAQ's released by the  
Local Government  
Association for  
employers covering:

- Affect on pension administration of the LGPS
- Furloughing staff who are LGPS members
- Contributions
- Reserved forces leave, re-employment, emergency leave etc
- Life assurance payments
- Governance and resilience
- Annual scheme events





# Covid-19 and SCPF

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## Looking after our members



- We followed the TPR guidance and also prioritised reassuring our members that their pension, whether in payment or still building up, will be **unaffected**.
- Top priority! Paying members' benefits and retirement processing
- Dealing with deaths
- All forms and certificates accepted electronically
- Pension scams - we already had robust procedures in place to protect our members but additional communication added specific to requests for DB to DC transfers



# Covid-19 and SCPF

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## Engaging with our employers

- We have asked you to prioritise retirements and payment of contributions – thankfully no severe issues
- We also asked you only send urgent requests – thank you for complying with this!
- Have you furloughed any LGPS members? Let us know.
- Future funding impact? The LGPS as a long-term investor and is securely managed to address any longer-term impacts such as effects of the coronavirus.





# Going forward

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- All staff working from home permanently with 'hot desking' in place soon
- More permanent changes in procedures - issuing information digitally to scheme members

- We now accept electronic signatures, scanned copies of forms, and photocopies of certificates from members.
- We're still receiving, and able to send post from our usual address – less often dispatch at the moment

- More virtual meetings – saves you traveling time/costs!
- Member 121's to be held virtually with the hope for 'local hubs' for face to face in the future..
- If members want to talk to us about their pension, they can still give us a call or send us an email.

# Current issues in the LGPS



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# There's been a flurry of activity

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- McCloud age discrimination court case (to be covered by Debbie)

- 95k exit cap – 4<sup>th</sup> Nov 2020

- Exit payment reform –  
Under consultation

Two separate issues, potentially affecting different types of employers with different timescales of implementation..



# → 95k exit cap - what we know today - 21/10/2020

On the horizon for some time - Government laid the initial legislation for a cap of £95,000 as part of the **Enterprise Act 2016**

The £95k cap legislation is called the:  
Restriction of Public Sector Exit Payment Regulations 2020

In place - 4 November 2020 - before the LGPS regulations are changed.

95k cap means public sector staff (working for affected employers) who are exiting on grounds such as redundancy or efficiency will be subject to a £95k cap on exit payments

Not all LGPS employers affected – only ones listed in regulations

We need/expect central guidance to be given on discretionary waiver process and whether exits agreed before the 4 November 2020 are to be treated differently

Largely an employer issue but we need to know the value of exit payment – we cannot pay a pension over the 95k (strain is included)

# → 95k exit cap – immediate considerations

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- Are you an affected employer?
  - English & Welsh employers covered in the Schedule - essentially all public service employees
  - For LGPS employees this will include Council workers, Police and fire civilians, Academies, **but not Further Education and Higher education colleges, or admission bodies.**
- Do you have any exits (redundancy, efficiency & mutual termination on business efficiency etc) cases ongoing at the moment?
- Communicate with your employees and us – timing is key
- We have stopped providing quotes for early exits but if you know you've got cases in the pipeline please contact us.





And there's more to come with wider reform ....

# → Exit payment reform consultation - overview

On the 7 September 2020 the Ministry of Housing, Communities and Local Government (MHCLG) released a consultation on the reform of exit payments in local government

The consultation which ends on the 9 November 2020 seeks information on:

- restricting exit payments in local government in England and Wales
- the effects that the proposals for reform will have on the regulations which currently govern exit payments (including both redundancy compensation pay and early access to pensions) in local government
- the impact that the proposals for reform will have on the local government workforce



# → Exit payment reform consultation

## What does it mean for the LGPS?

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- The proposal is that an employee aged 55 or over would not be able to get both an unreduced pension and redundancy payment
- The proposals suggest an employee has options on how they take their exit payment/LGPS benefits (unreduced pension or redundancy payment)
- Separate session needed to cover this when more is known....
- Changes required to LGPS regulations

### More info for now?

See our employer email update 8 or the [employer news page](#) on our website where there is a link to the consultation..

# → In summary - more changes on the horizon..

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- Increased complexity of exit process for members, employers and LGPS funds
- As ever, we will be keeping a close eye on the situation and continuing to issue communications as things develop...



# Monthly data and year-end overview

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Cheryl Morrell  
Systems Team Leader



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## → Monthly submissions and what do we do with it?

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- 142 Submissions are made through iConnect

This allows pension records to be:

- Updated with monthly pay, monthly contributions, year to date pay and year to date contributions. This allows employees to go into My Pension Online and see their pension pot building up and the final salary pay that is held
- Updates records with any personal detail changes, such as surname change and change of address
- Sets up a record for any new starters
- Notifies the fund of any leavers – this must be followed up with a PEN007 form
- Allows us to identify any post number changes, we will keep an ongoing records unless you issue a leavers form if the person leaves a post one day and starts a new one the following day. If there is a break this will need to be followed up with a leavers form
- Check that the payment you have sent us matches the contributions submitted through iConnect, if there is a difference it will be queried – IT IS REALLY IMPORTANT THAT THIS IS RESOLVED QUICKLY



→ In August we:

Updated over 15,500 records with pay and contributions

Updated 243 records with personal details changes and 405 address changes

Created 193 new records for new starters

Were notified of 523 leavers and 156 opt outs





# So what is required at year end and what do we do?

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- Month 12 data submission completes the process for individual records in respect of CARE pay and contributions

## **In addition we need:**

- Final salary (at the full time equivalent rate if the employee is part-time) for those with pre 2014 service
- Average hours for any casual or relief staff
- Ensure that all PEN007 forms have been submitted to the team
- All absences have been reported on PEN004 and PEN005 forms
- Submit forms lgs121a and lgs121b year end forms



## So what is needed at year end and what do we do? (continued)

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We will:

- Check all active records have CARE pay, contributions and final salary (if required) posted to records
- Check that pay submitted looks reasonable to the amount we hold for the previous year, if any have increased or decreased by 10% may be queried if we cannot spot an obvious reason for this
- Check total pensionable pay at month 12 submission multiplied by your employer rate looks correct to the employer contributions you have deducted.
- Check the figures on the lgs121a agree to the amounts we have received for the year



# → Year-end overview

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Year-end went well



Deadlines for data submissions were mainly met



1392 queries back to employers where data appeared to have been missing.

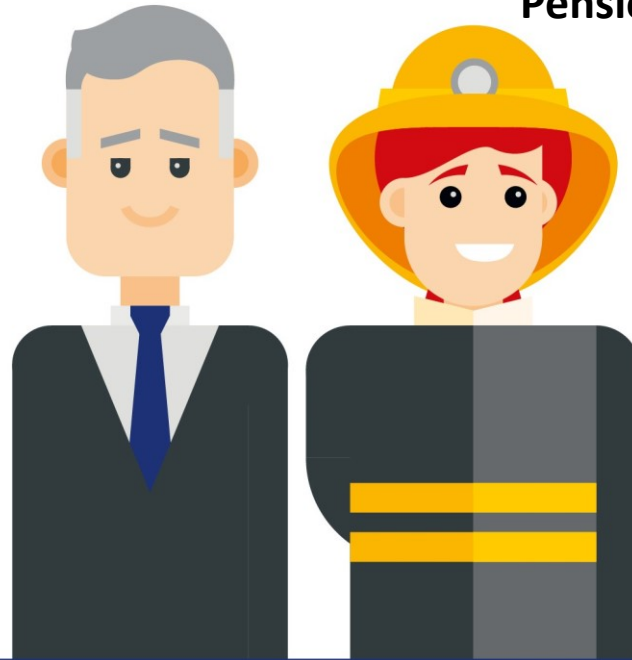


1317 queries were sent to employers from the tolerance check on pay

# McCloud

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Debbie Sharp  
Pensions Administration Manager



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# McCloud judgment

How did we get here?

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## 2014/15 LGPS changes

- Changed from Final Salary to CARE accrual
- Normal Pension Age increased from 65 to State Pension Age
- Protections for those within 10 years of NPA on 1 April 2012 - Final salary underpin

## Legal challenge –unlawful age discrimination

- 2018: McCloud case (Judges) and Sargeant case (Firefighters) –protection of older members judged to be unlawful age discrimination
- 2019: Government stated it would remove discrimination across all public service schemes
- 2020: Consultation - 16 July 2020 - 8 October 2020

## McCloud proposals

- Removes requirement for member to have been within 10 years of NPA to qualify for underpin
- Improvements to underpin
- Members joining LGPS after 31 March 2012 do not qualify
- Cost estimated to be £2.5 billion over coming decades





# Key points and proposals

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## 1. Who is in-scope of the underpin?

- A “qualifying member”:
  - active on 31 March 2012 , and
  - active membership of 2014 Scheme
  - no disqualifying break
  - regardless of age

## 2. Underpin period

- 1 April 2014 to 31 March 2022
- Ends on member’s underpin date if earlier
- CARE accrual for all from 1 April 2022
- Final Salary link for underpin to date of leaving

## 3. Amended regulations to be retrospective

- Changes to apply from 1 April 2014
- Cases to be revisited e.g. members already protected who have left active membership or reached their 2008 Scheme NPA & unprotected members who have retired, left with deferred benefits, died, transferred out or trivially commuted their benefits

## 4. Two-stage underpin check

- Provisional underpin check on “underpin date”
- Final check on “underpin crystallisation date” (ERFs/LRFs)

## 5. Requirement for immediate entitlement to benefit removed

- To avoid further age discrimination
- Underpin protection retained if member leaves with either deferred pension or immediate entitlement to pension

## 6. Aggregations

- No requirement to aggregate benefits to qualify for existing underpin
- Amended regulations will require aggregation for underpin protection to apply
- Relevant Scheme membership must meet qualification criteria
- 12 month additional period for actives and deferreds to elect to aggregate where failure to do so would mean member did not qualify for underpin protection

## 7. Early/late retirement factors

- To be taken into account to allow for differences in normal pension age in 2008 and 2014 Schemes

## 8. Death benefits

- Underpin to be taken into account





# Who will benefit?\*

## Qualifying for the underpin:

Older members are more likely to qualify for underpin protection.

## Benefitting from the underpin:

Active members between aged 41 to 55 more likely to be better off with the revised underpin than their younger and older colleagues.

## Gender equality?:

Men are marginally more likely to benefit from the underpin.

\*Source: Ministry of Housing, Communities and Local Government –Consultation -Local Government Pension Scheme (England and Wales) -Amendments to the statutory underpin. Based on analysis undertaken by GAD on active membership data for the LGPS as at 31st March 2019)



# Examples of CARE vs Final Salary

Example 1	Year	Pensionable Pay	CARE (1/49 <sup>th</sup> )	CARE plus revaluation	Final Salary (5 x 1/60 <sup>th</sup> )
Pay increases of 2.75% p.a., 1.5% revaluation	1	£20,000	£408.16	£433.21	
	2	£20,550	£419.39	£438.54	
	3	£21,115	£430.92	£443.95	
	4	£21,696	£442.77	£449.41	
	5	£22,292	£454.95	£454.95	
<b>Total Pension</b>				<b>£2,220.06</b>	<b>£1,857.70</b>

Example 2	Year	Pensionable Pay	CARE (1/49 <sup>th</sup> )	CARE plus revaluation	Final Salary (5 x 1/60 <sup>th</sup> )
As above, but with significant pay rise in final year	1	£20,000	£408.16	£433.21	
	2	£20,550	£419.39	£438.54	
	3	£21,115	£430.92	£443.95	
	4	£21,696	£442.77	£449.41	
	5	£30,000	£612.24	£612.24	
<b>Total Pension</b>				<b>£2,377.36</b>	<b>£2,500.00</b>

Underpin more likely to bite where member has been promoted, or had higher pay increases versus inflation.



# Impact of early retirement factors

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## **Member retires at 65, State Pension Age 66:**

- Final Salary pension is £1,000 p.a. (NPA 65)
- But CARE pension is £1,050 p.a. (NPA 66)

## **Current underpin:**

- Compare FS (£1,000 p.a.) with CARE (£1,050) at retirement date ignoring actual NPA.
- Member is awarded a pension of £1,050 under the 2014 Scheme.
- But reduced for a year's early payment by 5.1%, giving a pension of £996 p.a. at 65.
- The member is worse off than in 2008 scheme!

## **Proposed underpin:**

- ERF applied before FS and CARE amounts are compared (£1,000 v £996).
- Member benefits from underpin with pension of £1,000 on retirement at 65.



# Impact of changes- qualifying actives\*

\* member was active on 31 March 2012, has no disqualifying break, has accrued benefits in the 2014 scheme and remains active

- Underpin to apply to all qualifying actives, regardless of age
- Final salary underpin for 1/4/2014 to 31/3/2022 (or underpin date if earlier)
- Final pay link until date of leaving active service
- Any data gaps for final salary calculation to be filled back to 1/4/2014
- Two-stage underpin process
  - Provisional calculation on underpin end date
  - Underpin check on “underpin crystallisation date”
    - cost of living increases
    - early / late retirement factors
- Underpin comparison / complexities will continue for decades (would have largely ceased by 2022)



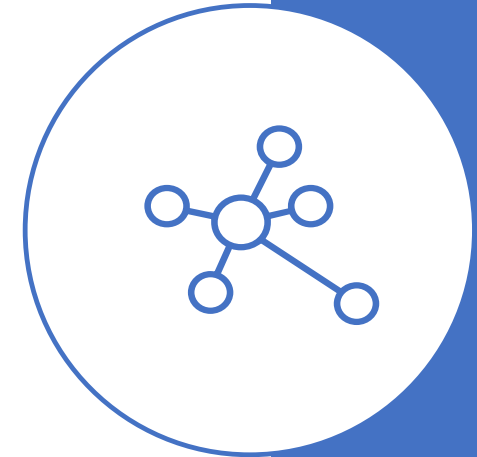


# Impact of changes- qualifying pensioners\*

\* those who were active on 31 March 2012, had no disqualifying break, accrued benefits in the 2014 Scheme and have retired since 1 April 2014

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- All qualifying pensioners who retired from 1 April 2014 to have benefits revisited, regardless of age
- Includes members with current underpin protection
  - Cases where member was protected but the underpin was “nil” e.g. on voluntary retirement with 2008 scheme requirement for employer consent
  - Cases where member was protected but actuarial factors were not taken into account, e.g. on retirement at 64 or 65
- Final salary underpin 1 April 2014 to date of leaving/retirement
- Some two-stage cases (deferred then retired)
- Data requirements for final salary underpin from 1 April 2014



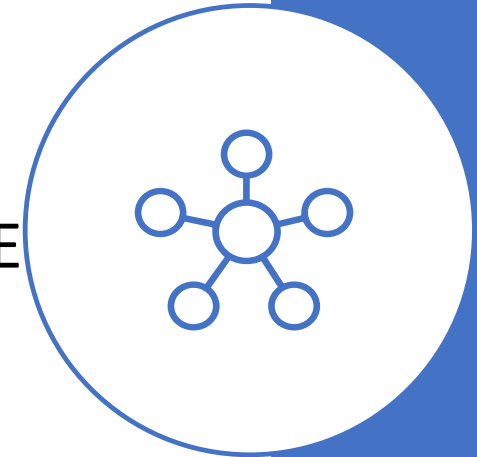


# Impact of changes – other leavers\*

\* those who were active on 31 March 2012, had no disqualifying break, accrued benefits in the 2014 scheme and ceased to be active (other than on retirement) since 1 April 2014

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- Deferred members, deaths, transfers in/out, trivial commutations
- Pension-related death grants and survivors' benefits impacted
- Club transfers consultation –choice of final salary or CARE credit
- Non-Club transfers out affected, transfers in unaffected
- Trivial commutations
- Recalculations for leavers since 1/4/2014
- Data for final salary underpin required





# Aggregation

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- Currently underpin protection applies where member qualifies by virtue of the unaggregated memberships
  - e.g. membership from 01/06/2008 to 31/07/2012 and from 01/05/2014 to current –member qualifies for current underpin
- Too complex as member may qualify due to membership in another LGPS fund
- Introduction of single "relevant Scheme membership"
- Applies to breaks in service and periods of concurrent membership
- Additional 12-month aggregation opportunity
- SAB to assist MHCLG with member communications to support these changes

## → Annual Allowance

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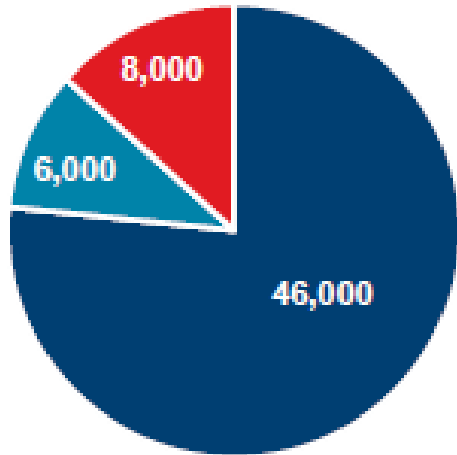
- Scheme administrators must follow Finance Act 2004 and secondary legislation.
- LGPS administrators have been taking the following approach:
  - No account taken of AA whilst member is in active service and below underpin date
  - In the year of underpin date, any addition to member's pension at the underpin date would be considered for the purposes of determining a member's pension input amount in that pensions input period
- MHCLG believe this approach will remain correct under the proposed legislation.
- Lifetime allowance to take account of underpin if benefits increase due to underpin.





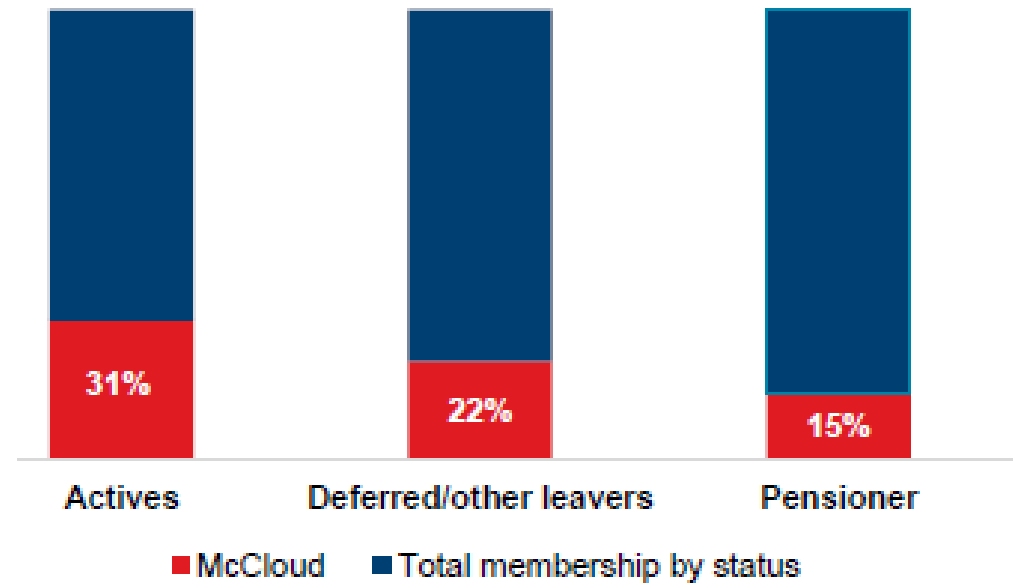
# How many members are in-scope of McCloud?

Average impact on fund with 60,000 members



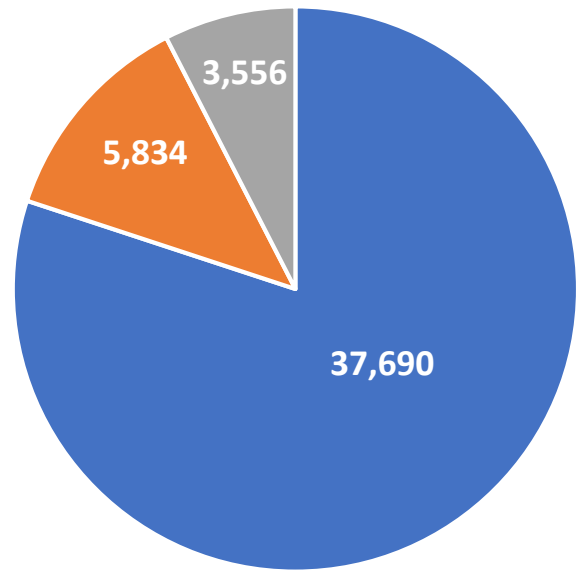
- Membership unaffected
- Total actives in-scope
- Total leavers requiring retrospective review

Proportion of membership in scope of McCloud, by status



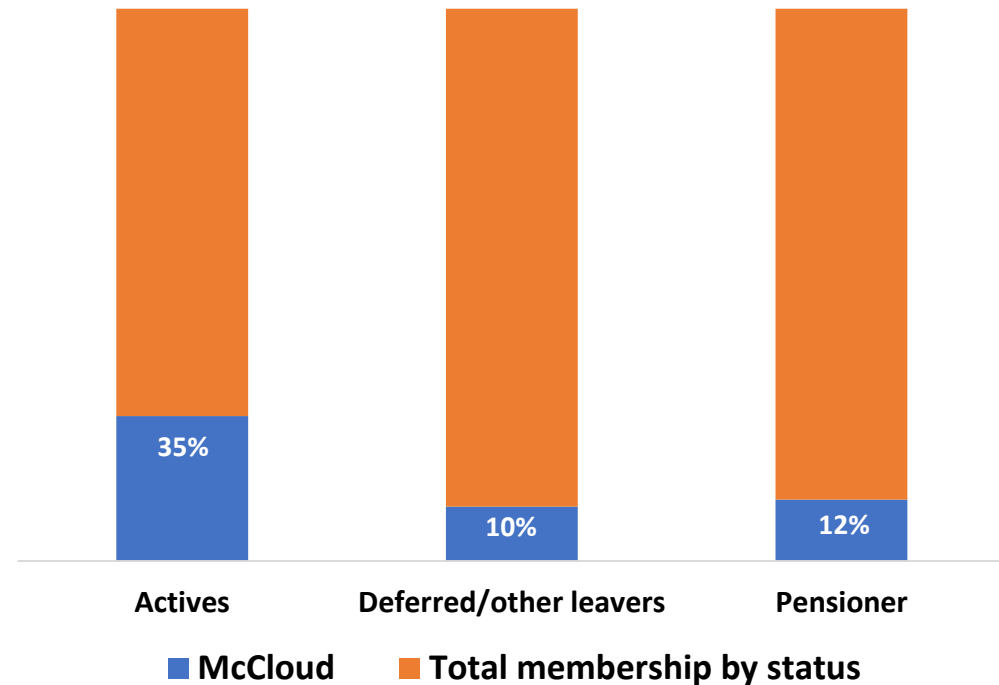
# → How many members are in-scope of McCloud - SCPF?

Proposed impact on SCPF's 47,080 members



- Membership unaffected
- Total actives in scope
- Total leavers requiring retrospective review

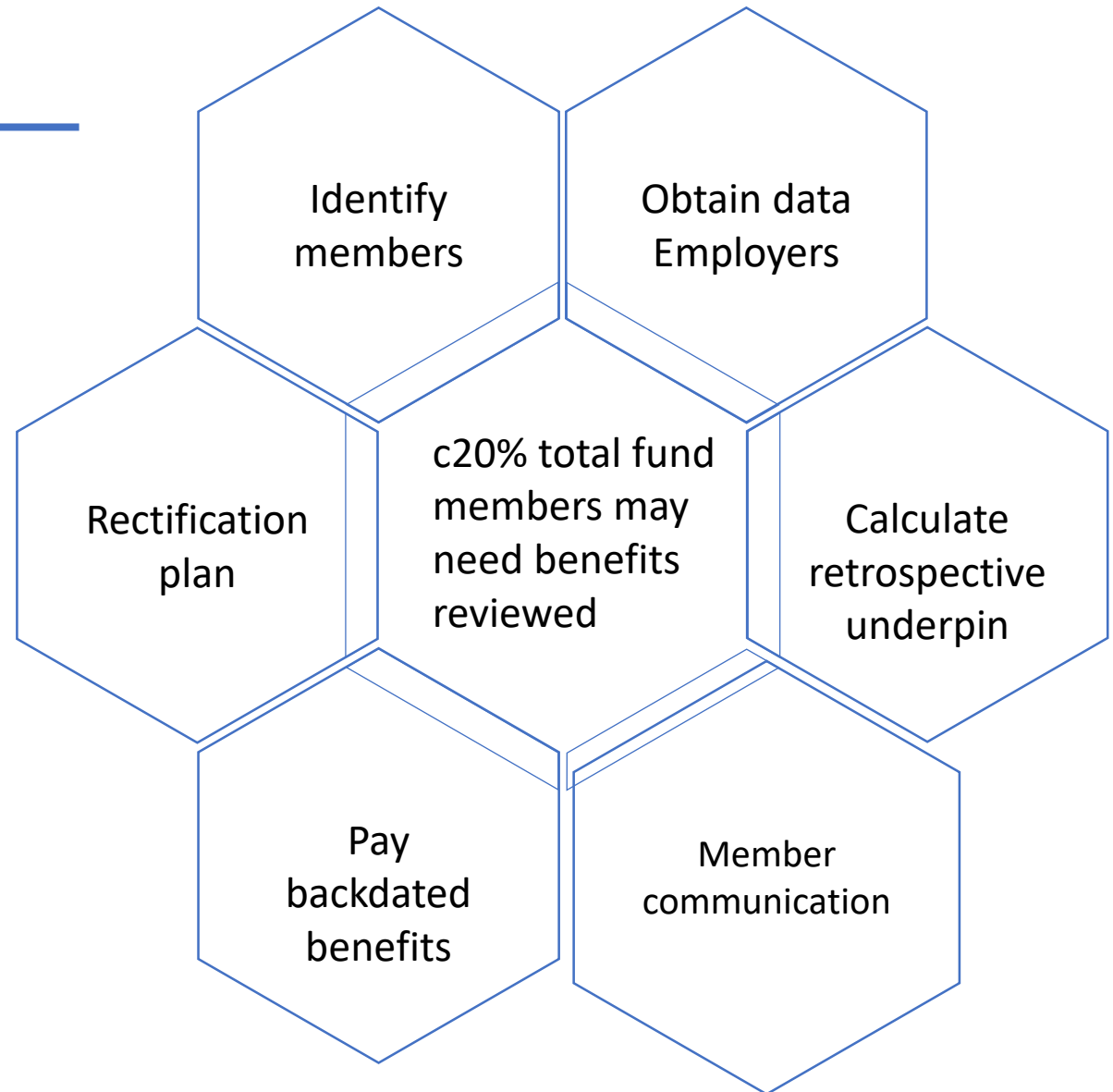
Proposed proportion of SCPF membership in scope of McCloud by status





## Retrospective underpin calculations for post 1 April 2014 leavers

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# Data

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- **Identify affected members**

Is all the data present and accurate to determine whether/how members will qualify for the remedy?

- Date joined
- Public sector transfers
- Disqualifying breaks?
- Reason for leaving?

- **Calculations**

Data will be required to calculate underpin for actives & leavers from 1/4/2014

- part-time hours
- service breaks
- ongoing data collection

- **Missing Data collection**

Identify-collect-validate-upload

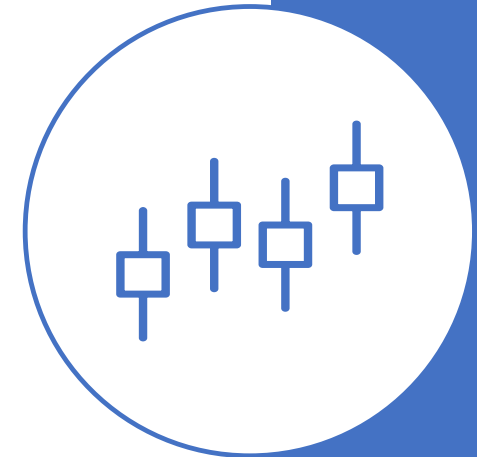
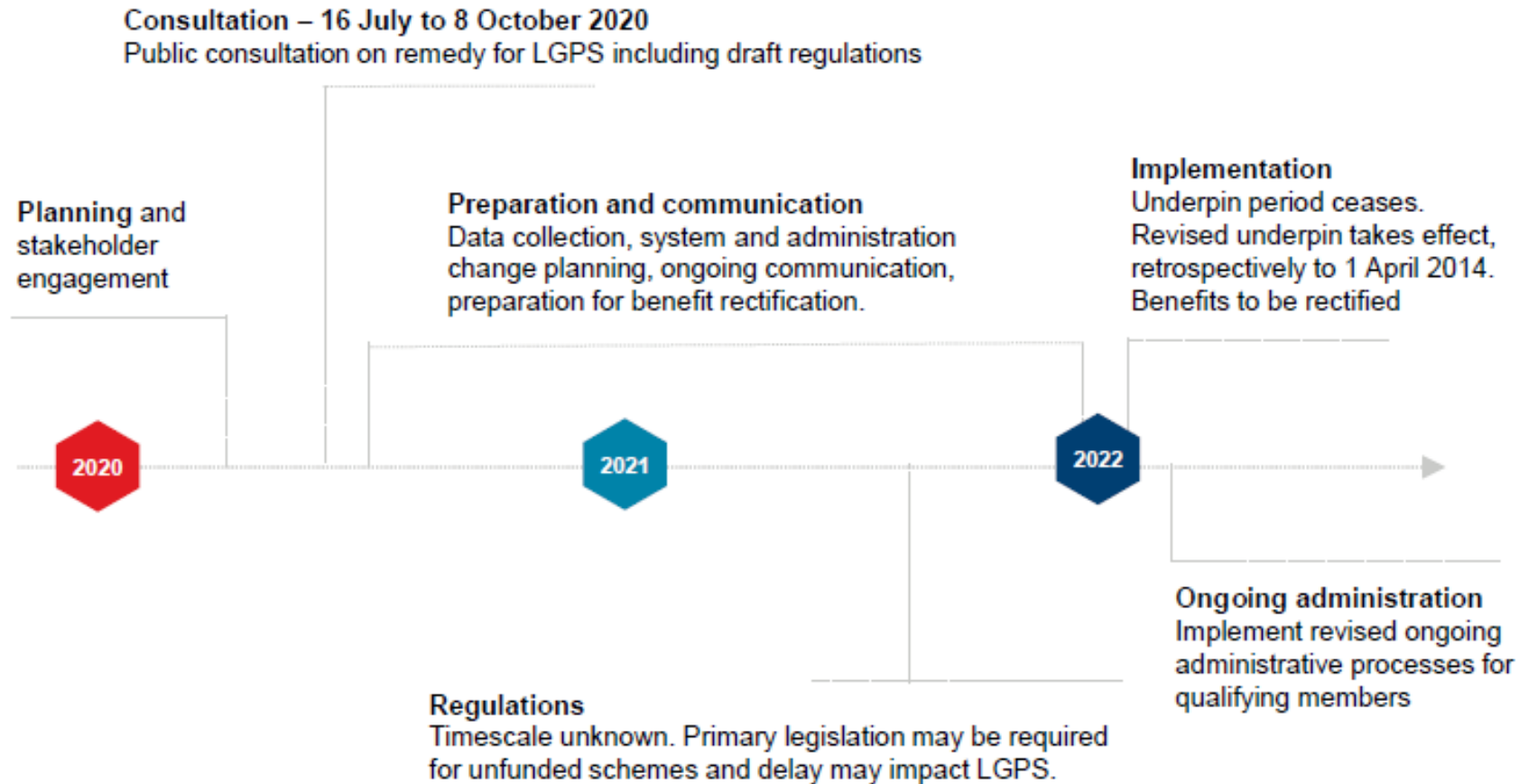
- Is anything missing?
- Support for employers/payroll providers?
- Will data be checked on receipt?  
How?
- Data receipt/upload

- **Employer communications**

Active members in service > 2008 Scheme NPA

- Final pay to NPA
- Pensionable pay to NPA

# → McCloud implementation programme-timeline



## → McCloud - next steps

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- Each year-end you've confirmed:

Full Time Equivalent Pensionable pay under the 2008 Regulations, changes of hours and any absences are being given at year end for all employees with service prior to 1 April 2014 or anyone affected by the underpin.	YES/NO
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- Is this correct?
- Data compliance survey to be issued
- Watch this space..



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**Thank you**