

December 2018

# Pensions Shared Service Employers Newsletter

## Ring in the changes: i-Connect

We have previously informed you of a new way of providing data called i-Connect. This allows employers to return monthly data electronically and will update member pension records in real time. The growing number of employers who have onboarded are starting to enjoy the advantages of the system. The benefits to employers include:

- No additional end of year form to complete
- A significant reduction in the completion of employer forms
- Data is validated automatically
- Reduced queries from the PSS
- Greater data security – GDPR compliant
- Reduced risk of escalation to TPR/TPR fines
- Your scheme members receive a better service

The above represent greater efficiency and time savings for you and/or your payroll provider.

If you haven't heard from us already we'll contact you when its time to onboard but let us know if you want to start earlier. There will be testing once your payroll can produce data according to the i-Connect specification. Please continue to use existing processes and procedures until you are informed otherwise.

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## Member Enquiries:

There is a new PSS website that provides guidance and forms relating to your fund.



<https://pensionssharedservice.org.uk>

For comprehensive information about the LGPS members should visit



<https://lgpsmember.org>

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## The End of Year Process 2018/19

The current process that requires the return of an end of year data file will apply to all employers who have not produced i-Connect files for 1 April 2018 to March 2019. In order that this years' process is as efficient as possible we have identified issues and amended the standard documentation.

In February we will be sending the data file to all employers. The data file will be pre-populated with data from our pensions administration system, Altair. Before the file is returned you or your payroll provider will be required to:

- refer to the guidance and checklist accompanying this newsletter
- check the data in the file is correct;
- provide accurate in-year data for 2018/19;
- return the data by Egress or other means of encryption no later than 15 April 2019;
- respond quickly if the Pensions Shared Service raises queries in relation to any of the data you have supplied;

Once we have received accurate data this will be uploaded into the Altair pensions system. This is necessary in order that pension records are accurate, that the PSS is in a position to dispatch annual benefit statements by 31 August 2019 and that the valuation of the pension fund runs in accordance with statutory deadlines.

### Guidance:

With each data file we will issue notes that provide guidance on the data items and how that data should be returned. Last year's exercise proved challenging as a number of common queries resulted in delays and inaccuracies. We have therefore amended our guidance to assist you and avoid those issues occurring in 2019. Please ensure that the person/organisation responsible for the return of the data file refers to the guidance and checklist before the file is returned or before you raise any queries with us. A copy of the guidance has been attached to the email accompanying this newsletter.

### Data file:

The data and formatting of the file has not changed from those in the past two financial years but we have changed some of the headings to make them more intuitive and we have also added text boxes that will help ensure that the correct data is added. As a precursor to the pre-populated data file that will be sent in February we have attached a blank version to the email accompanying this newsletter and we ask that you forward this to the person/organisation responsible for the end of year exercise. This will be particularly important for new employers to the fund who may be returning end of year data for the first time.

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## Valuation of LGPS pension funds 2019

The LGPS regulations require that there is a valuation of all pension funds every three years and the next one will take place 1 April 2019. The exercise will ensure that your contribution rate is sufficient to cover your pension liabilities. In order that the fund actuary can calculate an accurate rate the following steps must be followed:

### End of Year/i-Connect – Submitting your data

All employers must submit accurate member and contribution data which will be collated by the PSS and your Administering Authority in accordance with the required timetable.

NB: It should be noted that if your data is inaccurate or missing the actuary may be required to make assumptions that will have a negative impact on your employer rate. Please ensure that you return accurate data in accordance with the timescales of the end of year exercise.



### The fund actuary – calculations and assumptions

Your data is forwarded to the fund actuary who will assess this along with other factors such as the cost of funding future benefits which will determine the primary rate of contributions and how benefits have been funded in the past, determining secondary rate contributions. The actuary will also adopt assumptions such as life expectancy, inflation and the anticipated performance of the pension fund.



### Valuation Cycle 2020 to 2023 – employer contribution rates

The actuary will calculate the employer contribution rate for the next valuation cycle. A rates and adjustments certificate detailing the employer rate for 1 April 2020 – 31 March 2023 will be confirmed, and you will be informed of this.

We look forward to working with you to ensure that the 2019 valuation exercise runs smoothly.

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## TUPE – LGPS implications for schools' outsourcings

The need to find cost savings has led to an increase the number of outsourcings. Where the outsourcing involves the transfer of staff under the Transfer of Undertakings (Protection of Employment) Regulations the school will be required to protect the pension rights of the transferring employees if they have previously had access to the LGPS or a broadly comparable scheme. The resources required to ensure this outcome should not be underestimated as legal and financial obligations will be placed on the provider. Some of these will need to be considered at the tender stage. If the school has decided that an outsourcing will include the TUPE of staff the following steps should be taken.

- Contact your Administering Authority (AA) at the earliest opportunity. An actuarial report estimating the employer rate and bond value will take a minimum of 30 working days to turn around
- Provide all relevant TUPE and contract information, including the proposed start and end of the contract to your AA
- Ensure you can provide confirmation of the organisational decision to outsource
- Ensure that the contractor indicates whether they will provide pensions protection via an admission agreement or a broadly comparable pension scheme and that this is relayed to your AA
- Be aware the contractor may seek a risk sharing or passthrough arrangement. This will have financial and operational implications for you if implemented
- The exercise will require the professional services of the fund actuary and your funds Legal Services. Their expenses will be recharged to you. When contacting your AA please inform them who has authority to agree to this and their contact details

Your AA will work closely with the PSS in order that contribution and starting data can be made available to the contractor at key points in the process. If there are delays in informing your AA of the key data this could lead to the late commencement of the contract, non compliance if the staff transfer without pension protection and PR issues with the transferring staff themselves.

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## Automatic Re enrolment for community schools

Please note this article specifically relates to community schools because support staff and teachers of those schools are employees of their Local Education Authority (LEA) who's re enrolment is due to take place in the first or second quarters of 2019. Academy, Voluntary Aided and Foundation schools are independent employers and have their own staging and re enrolment dates which, is also true of admission bodies.

The Pensions Act 2008 introduced legislation that requires employers to provide and pay into a qualifying pension scheme. The date that employers commenced participation was determined by HMRC and this was known as the "staging date". On every three-year anniversary of the staging date employers are required to re-enrol their workforce. For Camden, Merton, Richmond, Waltham Forest and Wandsworth that exercise will take place in the first or second quarter 2019. All community school support and teaching staff will be assessed in accordance with their age and earnings. If the worker is not a member of the LGPS or TPS they will be in scope to be re enrolled into the relevant scheme if:

- They are 22 or over
- Below State Retirement Age
- Earn, on an annualised basis £10,000 or more

There are exceptions and your payroll provider will not re-enrol the worker if:

- The worker left the automatic enrolment pension scheme in the 12 months leading up to the LEA's re-enrolment date
- The worker has given notice or been given notice of the end of their employment
- The worker has primary, enhanced or fixed protection from tax charges on their pension savings

Unless the above exceptions apply the law requires that the worker is re enrolled into the relevant scheme. Members of the 50/50 section of the LGPS will be re enrolled into the main section of the scheme. Your HR/payroll will send a letter to affected workers informing them of the benefits of the scheme as well as the process for opting out if they do not wish to remain a member. It should be noted that a member may not opt out of the scheme before they have been enrolled – this is a legal requirement. An employer must not provide opt out forms or instruct their payroll to remove workers from the scheme. The form and instructions must be provided by the PSS.

Please bring this information to your colleagues' attention. An Automatic Re Enrolment flyer is attached to the email accompanying this newsletter for that purpose. We suggest that you email this to all relevant staff.

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## Employer Notifications – a new email address and process

In order that the PSS maintains accurate pension records and that benefits are paid on time your co-operation is required in order that we are notified of new starters, contract changes and leavers. The information will vary depending on what you are notifying us of. A range of forms that you should use are available from our website:

<https://pensionssharedservice.org.uk>

In the past employer notifications have been sent to differing email and postal addresses which has led to inefficiency. This is particularly an issue where a member is retiring or has died which requires prompt action. We have therefore created the following email address which must be used when you are notifying us of employment changes that affect LGPS members:

[PSSemployers@richmondandwandsworth.gov.uk](mailto:PSSemployers@richmondandwandsworth.gov.uk)

A short guidance note is attached to the email accompanying this newsletter. Please read this carefully and follow the process. **Please note that there remains a requirement that you send contribution returns directly to your administering authority and cc pssemployers.**

Employers who use i-Connect will see a significant reduction in the amount of forms required. Although a form will still be needed for members leaving the scheme.

If you have any queries regarding the employer notification process please email [PSSemployers@richmondandwandsworth.gov.uk](mailto:PSSemployers@richmondandwandsworth.gov.uk).

Scheme members will continue to raise queries via [pensions@richmondandwandsworth.gov.uk](mailto:pensions@richmondandwandsworth.gov.uk)

## Your Contact Details – Is there anybody out there?

As we approach the end of the financial year there will be a growing need for us to contact you. We need to ensure that we have the correct contact details for the following:

- The head of your organisation
- Your payroll provider
- Your HR contact
- Your main contact for pensions

If you have not previously informed us or there has been a change in personnel please let us know. In order that we can update your records efficiently please email the updated details to [PSSemployers@richmondandwandsworth.gov.uk](mailto:PSSemployers@richmondandwandsworth.gov.uk). Please ensure that the subject line of the email is entitled "Contact Details". The body of the email should include the name, job title, phone and email address of the individual in question.

If we do not hold up to date contact details you may miss key information or updates.

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## A Discretions Policy is Compulsory

This article doesn't apply to support staff of community schools because their staff are employees of the Local Education Authority and would fall under the LEA's Discretions Policy.

It might seem like a contradiction in terms but LGPS employers are required to have a discretions policy. The LGPS is a statutory pension scheme meaning its rules are laid down in law but the scheme does allow employers to make decisions generally related to enhancing member entitlements, referred to as discretions. Employers participating in the LGPS in England or Wales must formulate, publish and keep under review a Statement of Policy regarding certain discretions relating to employees who have access to the scheme.

Whilst there are many discretions that fall under previous regulations, only a few require a written employer policy under regulation 60 the LGPS 2013. These are:

- Jointly, with the active member or in full, fund Additional Pension Contributions (APC's) to increase the active membership under regulation 16
- In relation to an active member or a member about to be made redundant the power to increase total membership under regulation 31. This is solely funded by the employer
- The circumstances under which a Flexible Retirement would be granted under regulation 30 (6)
- Waving actuarial reductions when a member elects to retire early under regulation 30 (8)

As these involve improving member a member's benefits there would be a cost to you. The regulations require that every employer must:

- send a copy of its statement to the PSS and must publish its statement within three months of becoming an employer within the LGPS.
- keep the policy under review
- consider the extent to which the exercise of any of the functions under the mentioned regulations in accordance with its policy could lead to a serious loss of confidence in the public service
- be practicable and have due consideration of the costs
- not fetter their discretion by having a blanket policy

The Local Government Employers guidance is available here

<http://www.lgpslibrary.org/assets/gas/ew/DISCPv1.7c.pdf>

Please email your published policy or a link to the relevant web page to [PSSemployers@richmondandwandsworth.gov.uk](mailto:PSSemployers@richmondandwandsworth.gov.uk). Please add the title "Discretions Policy" to the subject line.

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### III Health Retirement – Employer Decisions

This article does not apply to community schools whose staff are employees of the Local Education Authority (LEA). It does apply to independent employers i.e. Academies, Voluntary Aided and Foundation Schools, Direction Bodies and Admission Bodies.

Immediate and unreduced benefits are payable when an LGPS member with two or more years membership is retired on the grounds of ill health. A decision as to whether a member is entitled to the early payment of a retirement pension on grounds of ill-health and which one of the three tiers of benefits the member may qualify for, must be made by the employer after they have obtained a certificate, from an Independent Registered Medical Practitioner (IRMP) as to-

- (a) whether the member satisfies the condition of being “permanently incapable” and if so,
- (b) how long the member is unlikely to be capable of undertaking gainful employment; and
- (c) where a member has been working reduced contractual hours and had reduced pay as a consequence of the reduction in contractual hours, whether that member was in part time service wholly or partly as a result of the condition that caused or contributed to the member's ill-health retirement.

As stated above, once the IRMP certifies their opinion in relation to (a), (b) and (c) above the employer must then make its decision and this may have significant implications for the organisation and certainly will have for the member. Decisions made on ill health retirement can be contentious from the member's point of view and have been the subject of a number of appeals under the Internal Disputes Resolution Procedure (IDRP). The Pensions Ombudsman may require an employer to review their decision if the regulations have not been adhered to or if the PO's opinion is that the decision has not been made reasonably. It is therefore important that the IRMP responsible of the certification and the individual(s) involved in making the decision understand the terminology and requirements of the regulations. The PO has produced guidance and a copy of this has been attached to the email accompanying this newsletter. The guidance can also be obtained online here:

<http://lgpslibrary.org/assets/othergov/201511POSIH.pdf>

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## Useful Information and links

We provide below useful contact and web site information which should be helpful to you:

### The Pensions Shared Service

We administer the LGPS for Camden, Merton, Richmond, Waltham Forest and Wandsworth. Please contact us via the details below:

Phone: 020 8871 8036

Email: [pensions@wandsworth.gov.uk](mailto:pensions@wandsworth.gov.uk)

<https://pensionssharedservice.org.uk>

The links below are to legislation relating to data and annual benefits statement compliance:

### The Local Government Pension Scheme Regulations – Valuations

<http://www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php#r62>

### The Shadow Advisory Board - Annual Benefit Statements

<http://www.lgpslibrary.org/assets/gas/ew/ABSv1.5c.pdf>

### The Public Service (Information about Benefits) Directions 2014

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/290178/public\\_service\\_pensions\\_information\\_about\\_benefits\\_directions\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/290178/public_service_pensions_information_about_benefits_directions_2014.pdf)

### General Data Protection Regulation

<http://lgpslibrary.org/assets/bulletins/2017/160App3.pdf>

### The Pensions Regulator Code of Practice 14 – Data requirements

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

### The Pensions Regulator

<http://www.thepensionsregulator.gov.uk/>