

Queries resulting from the 2016 year end exercise

The completion of the 2016 year end return exercise identified over 3700 cases which will now require further investigation and action by the pension administration team. Whilst this number may appear high, the actual number of cases is lower than 10% of the total active membership recorded at 31 March 2016, which exceeded 38,000. There are however some cases identified by this exercise which are of particular concern and will require further consideration and action by scheme employers.

From this total number 630 were cases where a year end figure had been provided for an individual who was not recorded on the pension administration system at the ERPF. These cases occur when an employee joins the Local Government Pension Scheme in the financial year to which the year end return relates, but where a new joiner form has not been completed and issued to the ERPF.

The total number also includes 838 cases where the 'contribution end date' provided on the year end return would suggest the scheme member had left the LGPS during the financial year, either because they have left employment or have opted out of the scheme, but the ERPF has not been notified and an employee leaver form has not been issued.

Whilst the year end exercise allows the pension administration teams to reconcile member data and identify discrepancies, it is important that all scheme employers understand their responsibilities and the key events that require information to be provided to the ERPF. The consequences of the ERPF not receiving both new joiner forms and employee leaver forms on a monthly basis can be significant and can ultimately result in the affected member lodging a complaint against the ERPF and the employer. Scheme employers must ensure that processes are in place to provide and complete accurate data from the outset.

The delay in the ERPF completing the required administration of these cases means that scheme members are not being provided with important information about the LGPS and their own pension benefits. This is particularly concerning because of time limits for transfers both into and out from the LGPS, particularly between other public sector pension schemes. Whilst an employer has the discretion to extend the twelve month deadline for transfers into the LGPS, the calculation factors for any previous public sector pension rights are different for an over twelve month transfer case to that of a transfer which is completed within the twelve month deadline, and this cannot be overridden by any employer or administering authority discretion. These different factors can reduce a scheme member's transfer value significantly and the same applies for scheme members who may wish to transfer their benefits out from the LGPS to another public sector pension scheme.

All the cases identified from the year end return will be investigated and where required either an enquiry will be raised or the relevant pension administration forms will be requested from scheme employers very soon.

Assumed Pensionable Pay recorded at 31 March 2016

As part of the 2016 year end return exercise concern was raised with regards to the correct calculation and recording of 'assumed pensionable pay' (APP).

APP replaces the concept of notional or 'as was' pay in cases of reduced contractual pay or nil pay for:

- periods of sickness absence;
- ordinary or paid additional maternity, paternity or adoption leave or paid shared parental leave;
- reserved forces service leave

APP should be included in the total pensionable pay which is used to calculate the career average pension built up in the relevant scheme year. A full explanation of APP can be found in the 'Payroll Guide to the 2014 Scheme' which is available at <http://www.lgpsregs.org/index.php/guides>.

In some cases the year end return submitted was returned to the scheme employer where the initial checks completed by the ERPF identified that APP may not have been applied to the total main section pay and employers were asked to check that the correct amounts were provided on the year end return. However the ERPF is still concerned that not all of the cases where an APP should have been applied may have been identified and correctly recorded.

If the main section pay figure recorded at the year end is incorrect this will result in the career average pension (CARE) also being calculated incorrectly. The example below is an actual case which highlights the potential loss of earned CARE pension a member may receive. This case was identified through the year end exercise and has since been corrected:

Main Section Pay provided on year end file:	£7226.53
Amount of CARE pension built up in 2015/16 = £7226.53 / 49 = £147.48 annual pension	
Revised Main Section pay provided:	Amount of pay actual paid during year £7,226.53
	Amount of APP £11,611.19
	Revised main section total pay £18,837.72
Revised amount of CARE pension built up in 2015/16 = £18,837.72 / 49 = £384.44 annual pension	

The Annual Benefit Statements, which are due to be issued by the 31st August, advise scheme members that the benefits calculated within the statement are based on the information provided by their employer and explain how the main section pay should have been calculated, including APP where applicable. However in some cases scheme members may not realise if the figure provided is incorrect and the ERPF are therefore strongly advising all scheme employers to check the main section pay provided on the year end return and compare this to any cases where APP should have also been applied. The ERPF will accept written notification of any revised main section pay amounts and will update member records and recalculate the amount of CARE pension built up in 2015/16.

Annual Benefit Statements (ABS) 2016 / FAQs for employers

Both the active and the deferred ABS are expected to be posted to deferred and active scheme members by the 31 August 2016.

Employers should note that the active statement advises scheme members to check the full time equivalent and main section pay figures carefully and to contact their own employer directly should there be any inaccuracies with these figures.

Employers dealing with any enquiries from scheme members may find the frequently asked questions useful which can be found on the ERPF website www.erpf.org.uk.

Investment Reform

In response to the reform of the LGPS announced by the Government in November 2015, the ERPF took a leading role in the creation of the Border to Coast Pension Partnership (BCPP), a pool which consists of 13 LGPS administering authorities and has assets of £35.9bn (as at 31 March 2015).

BCPP will be a fully FCA-regulated investment company wholly owned with full oversight by the constituent administering authorities and will manage the Pension Fund assets on behalf of each of these authorities. Decisions relating to asset allocation i.e. the amount invested in each of the asset classes will be retained at the administering authority level but the decisions relating to how these funds are invested e.g. manager or investment selection will be made by BCPP.

There is further information on what this means for members and employers in the "Latest News" section on the ERPF website www.erpf.org.uk.

Additional Voluntary Contribution (AVC) workshops - reminder

In the previous employer bulletin, Issue 22, employers were invited to host presentations delivered by the Prudential.

The Prudential are the East Riding Pension Fund's (ERPF's) appointed Additional Voluntary Contribution (AVC) provider, and would like to deliver presentations which are expected to last approximately 45-60 minutes.

If you are interested in hosting such an event please email suzanne.firth@eastriding.gov.uk with availability or ring 01482 394178 to discuss. Once events have been agreed, these will be advertised through future employer bulletins and on the ERPF website and Prudential have introduced their own online booking system so there will be no burden on employers thereafter.

Distribution details

To make sure the information provided in the monthly employer bulletins is reaching the right people, could you please circulate this bulletin to colleagues within your organisation who have responsibilities for pensions including Business Managers, Finance Officers, HR and Payroll staff.

If you would like to add anyone to the mailing list please then their details (name, email address and organisation): liz.vollans@eastriding.gov.uk.

Earlier bulletins issued can all be found on the ERPF website <http://www.erpf.org.uk/employers>