



**Year-end process for employers**

# **Webinar**

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**SHROPSHIRE COUNTY**  
PENSION FUND

**12 March 2020**

**Cheryl Morrell**  
**Systems and Support Team Leader**

**Rebecca Clough**  
**Communications & Governance Team Leader**

**Gareth Williams**  
**Development Officer**

Please send any questions on the Skype messaging facility and we'll aim to answer these at the end of the webinar, or email.

# Agenda

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## Cheryl

- Year-end procedure
- Who deals with year-end duties?
- Data requirements
- FTE & APP

## Gareth

- Reminders for i-Connect

## Becky

- Forms
- What checks do we do?
- CARE account
- What can happen if the wrong data is provided?
- Annual benefit statements
- Pension tax

## Cheryl

- Valuation results
- Date and deadlines



# Year-end process for employers

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Cheryl Morrell  
Systems and Support Team Leader





# Year-end procedure

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## Why do we have 'year-end'?

Information is required at year-end for all active members so that:

- Correct contributions have been deducted and paid to the fund
- Correct pensionable pay has been submitted
- Reconciliation of contributions paid over
- Individual pension pots can be calculated for the year
- An annual benefit statement can be produced
- We can assess if individuals have exceeded their Annual Allowance and send pension saving statements where necessary
- We can collate data to be provided to the scheme Actuary at the triennial valuation and for annual accounting for disclosure (IAS 19)

**Regulation 80 (3) states:**

*'Each Scheme employer must give a statement to the appropriate administering authority giving the following details in respect of each employee who has been an active member during the Scheme year'*



## Year-end process



- A letter and two forms (lgs121a and lgs121b) will be emailed to the main finance/payroll contact in your organisation (please ensure contact details with us are up-to-date)
- Data is submitted via i-Connect during the year
- Month 12 will complete the year to date for contributions, and the pay required – i-connect guide on our website

**19<sup>th</sup> April for data submissions and payments at month 12**

**30<sup>th</sup> April for forms and amendments**



## Who deals with year-end duties?

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- You might not be doing the submission yourself
- You may use Shropshire Council, Telford & Wrekin or other payroll provider

**This is done on your behalf but you will probably be asked to sign the reconciliation form and compliance statement**

- It's still your responsibility to ensure the data is correct and provided on time
- Data is uploaded directly onto members' record
- Checks are done but must be accurate





## Year end data requirements – pay

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An employee's pensionable pay is the total of –

- All the salary, wages, fees and other payments paid to the employee\*
- Any benefit specified in the employee's contract of employment as being a pensionable emolument

\*but it doesn't include any element listed in the regulations as exclusions.

However, there are some differences between what is pensionable for CARE accrual from 1 April 2014 and what constitutes 'final pay' for final salary linked benefits in respect of membership pre 1 April 2014.



# Year end data requirements - Full Time Equivalent (FTE) pay

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- Pay under the 2008 Scheme Regulations
- Needed for employees who were members of the LGPS prior to 1 April 2014 who retain a “final salary” link
- Needed for employees who have protections in place
- Employers must be able to calculate and provide a FTE figure under this definition and provide for all leavers and at year end.

## Calculating FTE

- The pay the employee earned in the previous 12 months
- Grossed up to a full time value for part-time employees
- Does NOT include non-contractual overtime or additional hours





## Year end data requirements continued

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- Total contributions – main scheme or 50/50
- Additional contributions including Additional Pension Contributions (APCs), Additional Regular Contributions, Added years, Additional Voluntary Contributions (AVCs)
- Assumed Pensionable Pay for absences
- Any average hours for a casual or timesheet employee



# Assumed Pensionable Pay (APP)

**APP is calculated as an annual rate then applied to the relevant period as a proportion of that rate.**

- For a monthly paid employee, APP is calculated by:
  - Taking the average of the pensionable pay for that employment in the 3 complete monthly pay periods prior to the one in which APP applies
  - Grossing that average up to an annual figure, and
  - Adding back in any pensionable lump sum payments where there is a reasonable expectation it is a regular payment
- For a weekly paid employee, the same applies but you would use 12 complete weeks.
  - Remember to include this in the cumulative pensionable pay figure
  - Once set, APP is not subsequently adjusted unless it continues for a period that crosses two 31 March dates.
  - Further information is in the LGA HR Guide a link can be found on our website.

**You can find working examples on the HR and Payroll guide on page 16.**





## Reminders for i-Connect

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- Submissions are made via an extract or online return, but the requirements are still the same
- March 2020 submission must be done by 19<sup>th</sup> April
- Made a mistake? - Cannot be corrected via i-Connect. It must be right first time
- Please respond quickly to data queries
  - Starters – ensure all active employees have been included
  - Leavers – if casual staff have not worked for a while - process leavers in time
  - Absences – Hours changes, Assumed Pension Pay (APP), casual average hours

More detail will be sent in year-end email. Unsure of anything? Contact us before submission.



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# LGS121a Form - Year End Reconciliation

Form which confirms the balance of contributions you have deducted and submitted to us with the payments you've made throughout the year

Signed by Director of Finance or equivalent 'Authorised Signatory'

NAME OF EMPLOYER: _____	
EMPLOYER CONTRIBUTION RATE: _____	
<b>1. EMPLOYEE CONTRIBUTIONS AS DEDUCTED FROM PAYROLL FOR THE YEAR OF 2019/20 (THIS MUST INCLUDE ANY LEAVERS DURING THE YEAR):</b>	
Total of main scheme employee contributions :	£ <input type="text"/> <input type="text"/>
Total of 50/50 scheme employee contributions:	£ <input type="text"/> <input type="text"/>
Total of APC's for employee contributions:	£ <input type="text"/> <input type="text"/>
Total of Additional employee contributions (ARCS & Added Years)	£ <input type="text"/> <input type="text"/>
<b>2. EMPLOYER CONTRIBUTIONS: AS ABOVE</b>	
Total of employer contributions:	£ <input type="text"/> <input type="text"/>
Total of SCAPC's for employer contributions:	£ <input type="text"/> <input type="text"/>
<b>3. TOTAL OF 1 &amp; 2:</b>	£ <input type="text"/> <input type="text"/>
<b>4. TOTAL OF <u>ALL</u> EMPLOYEE CONTRIBUTIONS PAID TO SCPF:</b>	£ <input type="text"/> <input type="text"/>
<b>5. TOTAL OF <u>ALL</u> EMPLOYER CONTRIBUTIONS PAID TO SCPF:</b>	£ <input type="text"/> <input type="text"/>
<b>6. TOTAL OF 4 &amp; 5:</b>	£ <input type="text"/> <input type="text"/>
<b>BALANCE DUE OR OVERPAID (Difference between 3 &amp; 6):</b> £ <input type="text"/> <input type="text"/> <small>(If a balance is due please send payment immediately together with supporting paperwork. If you believe an overpayment has occurred please attach supporting paperwork and a request for a refund for us to consider.)</small>	
<b>TOTAL OF LUMP SUM DEFICIT PAYMENT MADE (if applicable):</b> £ <input type="text"/> : <input type="text"/>	
<b>CONFIRMATION OF INFORMATION PROVIDED</b> I certify that the figures supplied are an accurate record of the amounts deducted from the payroll and have been reconciled against the payments made to Shropshire County Pension Fund during the year. If a balance is due to the Fund a payment will be made together with supporting paperwork. If a refund is due from the Fund I have attached a request for payment together with the supporting paperwork.	
Name: _____ Position Held: _____	
Date: _____ Signed: _____	
(This form must be signed by Director of Finance or authorised signatory)	
Please return form to: Pensions Services, Shirehall, Abbey Foregate, Shrewsbury SY2 6ND	
LGS12a (JAN 2016)	



# LGS121b Form - Compliance Statement

Form which gives assurance to us that you're complying with the LGPS regulations

Signed by Director of Finance or equivalent 'Authorised Signatory' or external/internal auditor

**Compliance Statement**

Employer : \_\_\_\_\_

Shropshire County Pension Fund is seeking confirmation that the pension data returned for the financial year 2019/20 is accurate and in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) and any other overriding legislation.

This form should be signed by one of the following:

Director of Finance (or equivalent)

Head of Internal Audit (or equivalent if employing an external auditor)

External Auditor

**FAILURE TO RETURN THIS FORM WILL RESULT IN A BREACH BEING RECORDED IN ACCORDANCE WITH THE FUNDS BREACHES POLICY.**

As Director of Finance/Head of Internal Audit/External Audit (*delete as appropriate*) for the above named Employing Body, I can confirm that the necessary processes are in place to give assurance that the LGPS Regulations 2013 have been complied with in the following areas:

Area of Compliance	Employer Compliant?
Employee pension contributions have been deducted from the correct elements of pay and the correct percentage applied in accordance with the employee contribution banding table for 2019/20	YES/NO
Employer pension contributions have been deducted in accordance with the actuary's valuation report (2016) for 2019/20	YES/NO
The correct employer contributions have been paid for authorised absences including sickness absence	YES/NO
In the case of a member on reduced pay for sickness and child related absence or no pay for sickness absence, you are providing the pensionable pay including the assumed pensionable pay on the year end return or leavers form (if applicable)	YES/NO
The correct CARE pay is being returned at year end for 2019/20	YES/NO
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

I can confirm that our payroll records are annually audited to check that employer administration processes have been carried out correctly and information and contributions passed over to the Pension Fund are accurate and in accordance with the LGPS Regulations 2013.

Name: \_\_\_\_\_ Position Held: \_\_\_\_\_

Date: \_\_\_\_\_ Signed: \_\_\_\_\_

Please return form to: Pension Services, Shirehall, Abbey Foregate, Shrewsbury SY2 6ND



## What data checks do we do?

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- All active records have contributions, CARE pay and FTE pay (if applicable) posted to records
- CARE pay is checked to previous year and queried with employer if different by 10%
- FTE is checked to the previous year and queried with employer if different by 10%





# Year-end process for employers continued

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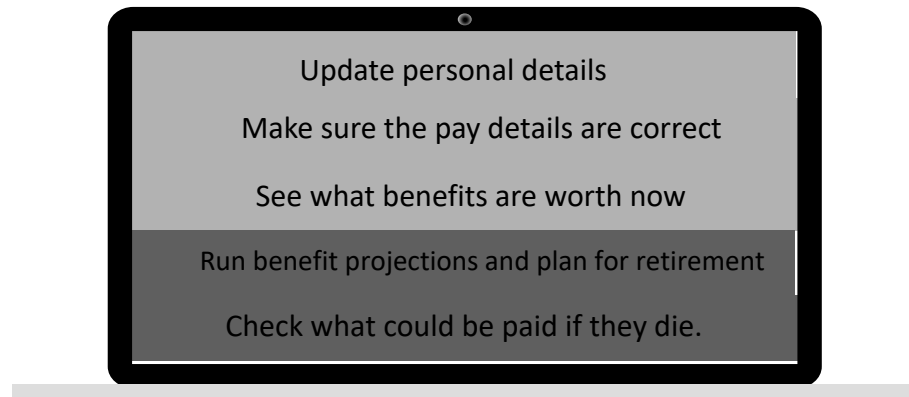
12 March 2020

Rebecca Clough  
Communications & Governance Team Leader



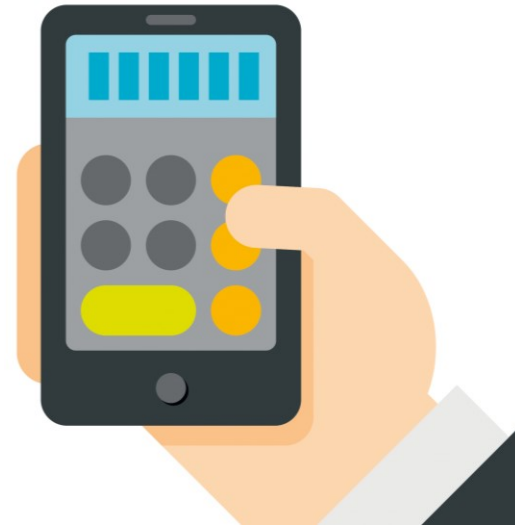
# Pensions administration system updated

On the secure 'My Pension Online' members can:



Can you help with take up?

- Member's online record is automatically updated following your data submission
- Members can check their pension record in real-time







## Example of a CARE account

Scheme Year	Opening Balance	Pension Build up in Scheme year Pay/ Build up rate = Pension	Total Account 31 March	Cost of living Revaluation adjustment	Update Total Account
1 2014/15	£0.00	$£24,500/49 = £500$	£500	1.2% = £6	$£500 + £6 = £506$
2 2015/16	£506	$£24,745/49 = £505$	£1,011.00	-0.1% = -£1.01	$£1,011.00 + -£1.01 = £1,009.99$
3 2016/17	£1,009.99	$£24,992.45/49 = £510.05$	£1,520.04	1% = £15.20	$£1,520.04 + £15.20 = £1,535.24$
4 2017/18	£1,535.24	$£25,242.37/49 = £515.15$	£2,050.39	3% = £61.51	$£2,050.39 + £61.51 = £2,111.90$
5 2018/19	£2,111.90	$£25,494.79/49 = £520.30$	£2,632.20	2% = £52.64	$£2,632.20 + £52.64 = £2,684.84$



# What can happen if the data provided is wrong?

## Overpayment example:

- Member has significant non contractual overtime (NCO) – remember overtime/additional hours treated differently for pre/post 2014 scheme
- Employer should provide pensionable pay for both including (post 2014) and excluding NCO (for pre 2014) benefits
- Employer only provided figure including NCO

Date of birth	1 April 1956
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Joined the Scheme	1 April 1981
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Salary including only contractual overtime	£25,000
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Non-contractual overtime	£5,000
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Total salary figure provided	£30,000
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## Impact on member and funding by not separating pre and post 2014 pensionable pay – overpayment

	Pre 2008 (27 years membership to 1 April 2008)	Pre 2014 (6 years from 1 April 2008 to 31 March 2014)	Post 2014 (CARE pension from 1 April 2014 to 31 March 2019)	Total Pension	Pre 2008 Lump Sum
Based on data provided	$\pounds 30,000 \times 27/80$ $= \pounds 10,125$	$\pounds 30,000 \times 6/60$ $= \pounds 3,000$	$\pounds 30,000 \times 1/49$ $= \pounds 3061$ (£612 per year x 5 years)	<b>£16,186</b>	<b>£30,375</b>
Correct	$\pounds 25,000 \times 27/80$ $= \pounds 8,437$	$\pounds 25,000 \times 6/60$ $= \pounds 2,500$	$\pounds 30,000 \times 1/49$ $= \pounds 3061$ (£612 per year x 5 years)	<b>£13,998</b>	<b>£25,311</b>

£2188 overpayment per year and £5064 lump sum

FUNDING	Approximate Liabilities (using a factor of 20)
Based on data provided	$(\pounds 16,186 \times 20) + \pounds 30,375$ $= \pounds 354,095$
Correct	$(\pounds 13,998 \times 20) + \pounds 25,313$ $= \pounds 305,275$

+ £48,824 funding difference

# What can happen if the wrong data is provided?

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## Underpayment example

- Member off sick for long periods over a year on reduced or no pay
- Employer should provide Assumed Pensionable Pay (APP)
- Actual pensionable pay figure provided instead

Date of Birth	1 April 1969
Joined the Scheme	1 April 1989
Actual Salary earned	£15,000
APP	£30,000
Salary figure provided	£15,000



## Impact on member and funding by not providing APP – underpayment

MEMBER	Pre 2008	Pre 2014	Post 2014 CARE pension	Total Pension	Pre 2008 Lump Sum
Based on data provided	$£15,000 \times 19/80 = £3,562$	$£15,000 \times 6/60 = £1,500$	$£15,000 \times 1/49 = £1,530$ (£306 per year x 5 years)	£6592	£10,686
‘Correct’	$£30,000 \times 19/80 = £7,125$	$£30,000 \times 6/60 = £3,000$	$£30,000 \times 1/49 = £3,061$ (£612 per year x 5 years)	£13,186	£21,375

£6,594 underpayment per year and £10,507 lump sum

FUNDING	Approximate Liabilities (using a factor of 20)
Based on data provided	$(£6592 \times 20) + £10,686 = £142,562$
‘Correct’	$(£13,186 \times 20) + £21,375 = £235,095$

- £92,533 funding difference



# Important to be aware of the implications

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## **Other repercussions**

- Incorrect valuation results / FRS17 accounting figures
- Slows down providing estimates etc.
- Breach of scheme regulations and Administration Strategy Statement
- Pensions Ombudsman
- The Pensions Regulator (oversight from April 2015) can issue fines for not meeting legal requirements

## **For members:**

- Slows down retirements, transfers, refunds etc
- Reputational damage
- Internal Disputes Resolution Procedure

The Fund can charge for additional work caused by incorrect data being supplied




# Annual benefit statements

- Regulations state that we need to issue to active members by 31 August
- Year-end data is required to produce this statement and member is encouraged to check
- Any queries on data used – informed to go back to employer

## Regulation 89 (1)

*An administering authority must issue an annual benefit statement to each of its active, deferred, deferred pensioner and pension credit members.*

*... the statement must be issued no later than five months after the end of the Scheme year to which it relates."*

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HOMEYOUR ACCOUNTADMIN

Scheme: Shropshire County Pension FundMember ref:Status: Active

[Your dashboard](#) > [Pension benefits](#) > Annual benefit statements

### Annual benefit statements

To help you understand your benefits statement, please read the accompanying notes. [Guidance notes](#)

#### Annual benefit statement – personal details

Benefit statement worked out at 31/03/2019

Marital Status Used	Single
Employer at 31/03/2019	Shropshire Council
Scheme Section at 31/03/2019	MAIN
CARE Pay in Year to 31/03/2019	£2,778.57
Final Salary Pay in year to 31/03/2019	£0.00
Pay in Main Section	£2,778.57
Pay In 50/50 Section	£0.00

Annualised CARE pay used in estimates and death in service quote

#### Summary of benefits

Summary of benefits built up to 31/03/2019	Due from 26/09/2060	
Annual Pension £56.71	Automatic Lump Sum £0.00	Spouse/partner's pension £0.00
Cost of living adjustment £0.00	Cost of living adjustment £0.00	
Lifetime Allowance £1,030,000.00	Value of Benefits £1,134.20	Percentage Used 0.11%

Benefits After Maximum Conversion



## Data is also used to member against pensions tax rules

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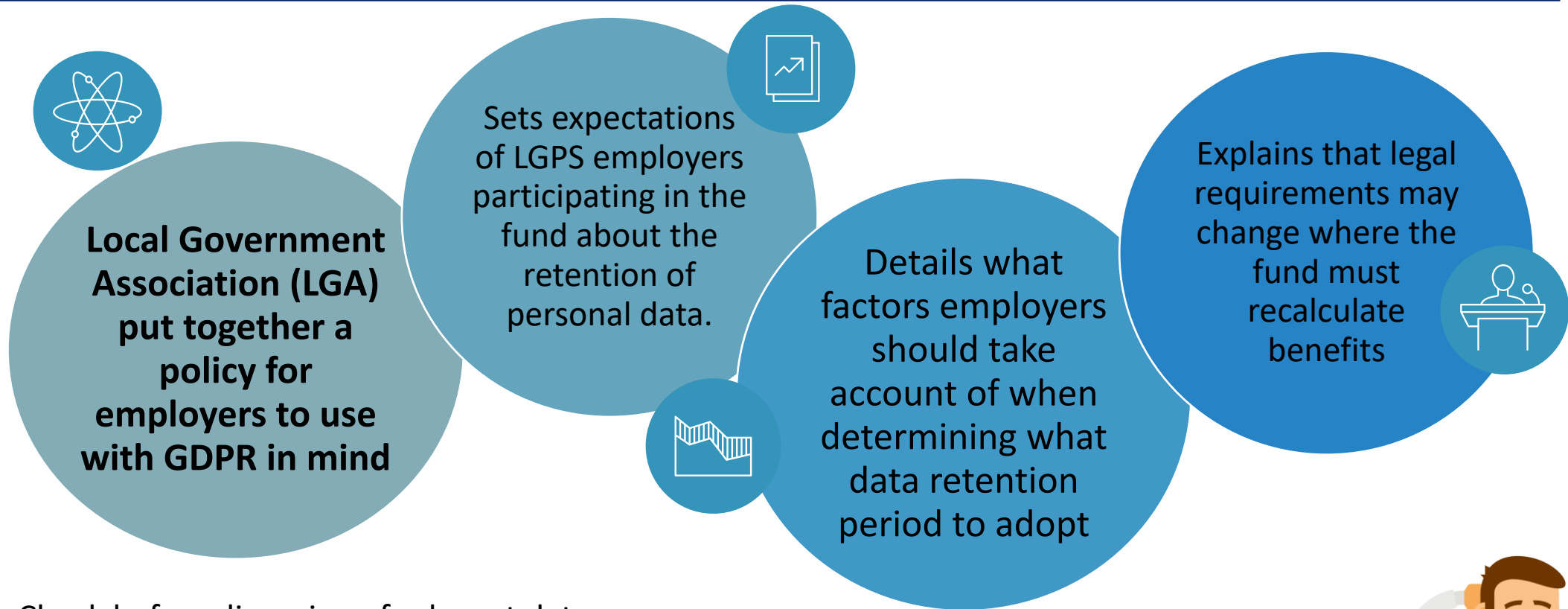
- Information must be provided to certain members who trigger tax rules
- We are required to do further checks on pay and must issue a Pensions Savings Statement by 6<sup>th</sup> October
- Inform us if you know there is going to be a significant pay increase for a member

### Two main rules:

- **Lifetime Allowance (LTA)** - the total capital value of all pension arrangements which can be built up without triggering a tax charge
- **Annual Allowance (AA)** - the maximum your pension can increase by in a tax year before you receive a tax charge



# Keeping the data we need – your retention policy

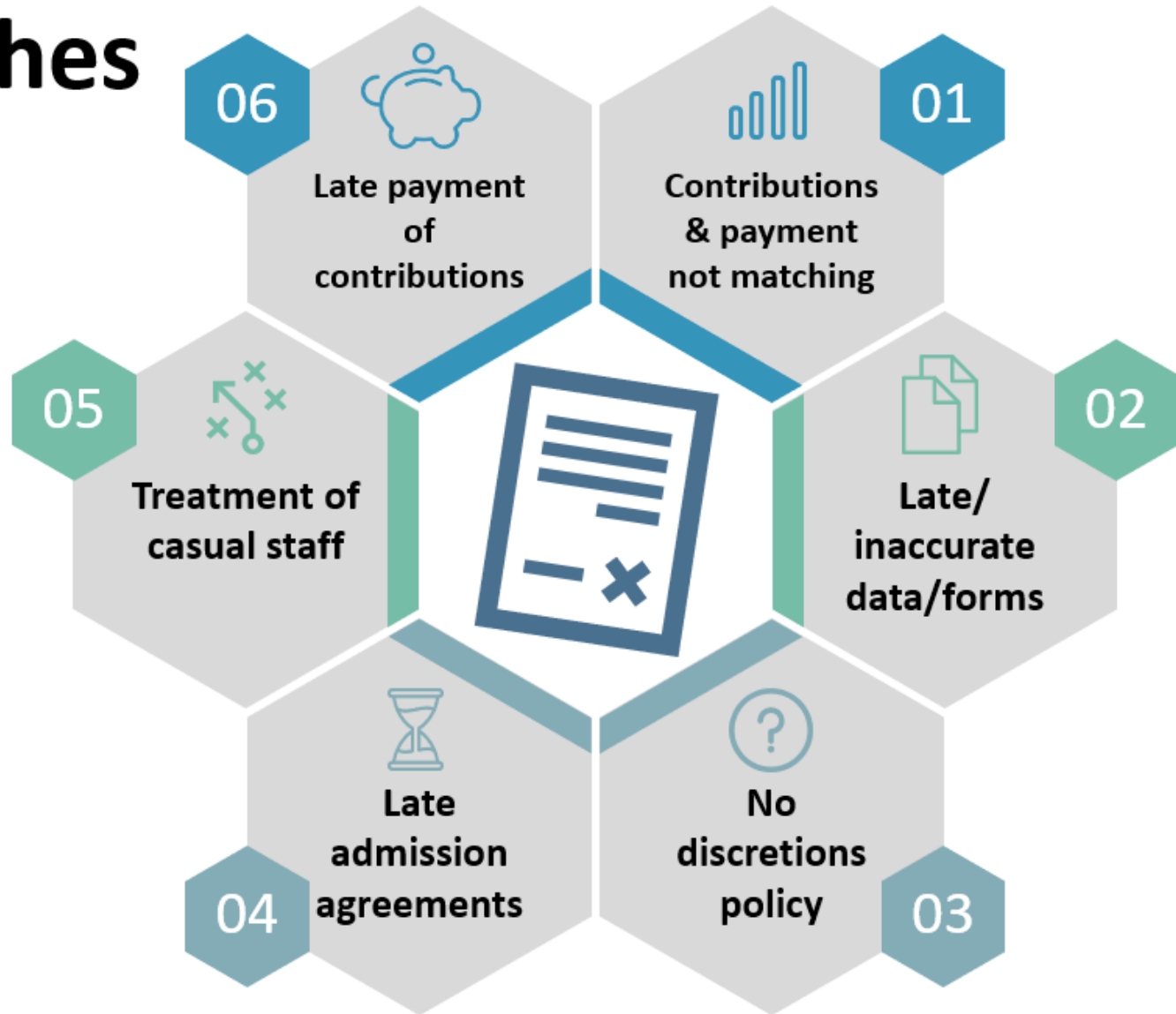


- Check before disposing of relevant data
- Consider this before changing payroll provider or systems – are you still going to have access?



# Recording breaches

- Requirement to report breaches of the law to The Pensions Regulator where there is reasonable cause to believe that:
  - A legal duty has not being complied with
  - The failure to comply is likely to be of material significance
- Fund **records** all potential breaches to spot patterns emerging – early intervention to support employers with responsibilities
- Late year-end data/forms breaches are recorded – deadlines in place to ensure we can do data checks before statements need to be issued





# 2019 Valuation

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## Valuation statement



Have you returned the statement?

Update the rate from 1st April 2020

Employer contributions from this date are on new rate

## Deficit lump sum



March 2020 - schedules to be issued

## McCloud??



Early stages for a remedy, when or who will be affected.

Any remedy may involve extension of underpin to members who aren't currently offered protection.

Potentially full history of part time hours changes and service break information from 1 April 2014 will be needed.

Hours and service break data should be kept for pre 2014 members – form available



## Dates & deadlines reminder



Date	Reminder
19 <sup>th</sup> April	Data submissions and payments at month 12
30 <sup>th</sup> April	Forms and amendments



## SHROPSHIRE COUNTY PENSION FUND

- Thank you for listening.
- Email any questions to **pensions@shropshire.gov.uk** and we'll respond as soon as possible.
- Complete our online **feedback form** which we'll email out shortly.

**Help desk:** 01743 252130

**Website:** [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)