

EMPLOYERS' NEWSLETTER

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Welcome to the fourth edition of our quarterly newsletter, which provides you with an update on the Local Government Pension Scheme (LGPS) and other topical matters.

Annual Benefit Statements



Equiniti have now issued members with their 2016-17 Annual Benefit Statements. We would like to say a big thank you to all Employers for submitting their Year End Returns to Equiniti in a timely manner!

You may receive queries from employees regarding their statements that you are unable to answer. In these circumstances please refer them to Equiniti who will be happy to assist. However, if you find that a large number of employees need help in understanding their benefits statements then the Hackney Pensions Team can arrange a visit to provide these staff work-shop. This will enable them to better understand their statements, how their benefits are calculated and their overall pension provision.

Checklist

- Are your contributions paid over to Equiniti by the 19th of each month?
- Do you know when and how to calculate APP?
- Be aware that members should now be receiving their benefit statements and may raise pay queries with you.
- Contact us if you would like to host a member event



Acceleration of the Increase in State Pension Age

The Government has announced that the current plans to increase the State Pension Age have been brought forward. The increase in State Pension Age to 68 will now be phased in between 2037 & 2039, 7 years earlier than originally planned. This will impact those currently aged between 39 & 47. For those affected it means another year of work and they may need to re-view their financial planning.

Those older than 47 won't feel the impact of the change and will still be able to access their state pension at 67. Whereas those currently younger than 39 already had a State Pension Age of 68

and therefore this announcement has no impact on them either.

From an LGPS perspective the changes in the State Pension Age will automatically feed through into the Normal Retirement Age for Post 2014 benefits. Therefore those affected by the change will see an increase in their Normal Retirement Age under the LGPS in line with their increased State Pension Age of 68.

From an Employers point of view if the change is brought into legislation, it is likely there will be little impact on past service liabilities but it could possibly reduce future service rates. However, the impact will vary significantly from employer to employer, as well as by fund. Any changes would be picked up as part of the triennial valuation.



Pension Fact

The government currently project that 32% of an adults life is spent in receipt of the state pension

Assumed Pensionable Pay

Since April 2014, Assumed Pensionable Pay (APP) has replaced the concept of notional or 'as was' pay when a member moves to reduced contractual pay or no pay. You or your payroll provider should be calculating APP in the following circumstances:

- A member is on leave due to sickness or injury and is on reduced contractual pay or no pay; or
- A member is on relevant child-related leave (i.e. shared parental leave, ordinary maternity, paternity or adoption leave and any paid additional maternity, paternity or adoption leave but NOT unpaid additional maternity leave); or
- A member is absent on reserve forces services leave.

APP attempts to approximately re-create the scenario of what the person would have been earning if they had been working as normal for a certain period of time. APP is calculated based on the last complete 3 months (or 12 weeks) Pensionable Pay.

In the above circumstances, the amount added to the cumulative pensionable pay should be the APP and not the actual pensionable pay received (if any). It is important to note that the employee will pay contributions on the actual pensionable pay received during such periods of absence but the employer will pay contributions on the amount of the APP.

It is important to use APP, where applicable, in any leaver forms that you submit to Equiniti, your monthly HK221 forms and the year-end data submissions. If APP is not included then it can result in a members benefits being underestimated or even underpaid.

More information about the use of APP can be found via the following link <http://www.lgpslibrary.org/assets/gas/ew/Pv3.9c.pdf> or alternatively call the Hackney Pensions Team on 0208 356 6802 for more information.



New Data Protection Rules

Why is Data Protection so Important?

Pension schemes necessarily hold and process significant amounts of personal data relating to members. As a matter of good governance, it is important that this member data is safeguarded.

The European Union's General Data Protection Regulation (GDPR) will, despite Brexit, replace the UK's existing data protection legislation when it becomes applicable in May 2018. Its requirements are more onerous than current rules in many areas, and higher fines will be available to the Information Commissioner's Office (ICO) for serious breaches.

The below gives a small flavour of what the GDPR requires at a general level:

- More Detailed Privacy Notices - Under the current law, employers are required to provide employees and job applicants with a privacy notice setting out certain information. Under the GDPR, employers will need to provide more detailed information in such notices such as how long data can be stored for and if data can be transferred to other countries.
- Right to be Forgotten on Termination - Employers will have duties to ensure their systems enable them to amend incorrect information, delete or restrict processing of personal data if so required.

- Data Controllers and Data Processors - The GDPR imposes greater accountability on Data Controllers (e.g. Employers), as well as placing Data Processors (e.g. third party providers) on the hook. Employers should review processes against this higher standard of best practice. Technical and organisation measures should be in place to keep data secure. This is more difficult when an employer is reliant on outsourced HR and payroll functions. The Processors are likely to therefore seek changes to their contracts with Controllers.

Impact on the LGPS

Hackney, as Administering Authority (AA), are responsible for the personal data held by their LGPS fund, meaning that the GDPR changes are relevant to them. The AA must demonstrate compliance with the GDPR in relation to the LGPS fund and be able to show in a meaningful way that both the overall governance structure for compliance, and the individual policies and procedures relating to data processing, are compliant. The Hackney Pensions Team, in conjunction with Equiniti, will be working together to ensure that the Hackney Fund meets its obligations under the GDPR. Therefore Employers are urged to look out for any specific communications during 2018 relating to possible changes in procedures/processes that Hackney may need to put into place.

More information on the GDPR can be found on the ICO's website <https://ico.org.uk/for-organisations/data-protection-reform/>



The Pensions Regulator issues its first fine to a public sector pension scheme

The Pension Regulator (tPR) has issued its first fine to a public sector pension scheme manager for failure to provide a Scheme Return.

The Scheme Return provides basic information to tPR about the fund and is one of the tools that tPR use to carry out their functions. When discussing this fine tPR has said "Good scheme governance is a key factor to achieving positive outcomes for members. The action we took in this case demonstrates our commitment to this. We have shown that where managers and trustees are failing with their basic duties, including in large public service schemes such as this one, we will use our powers to intervene".

The fine of £1,000 was issued to London Borough of Barnet, as scheme manager, which demonstrates that tPR are monitoring LGPS funds.



Late Payment of Contributions

As mentioned in previous newsletters, the Hackney Pension Fund, alongside all other LGPS pension funds, are now required to adhere to tPR guidelines Code of Practice 14 (COP14).

Amongst other controls and processes, COP14 places strong emphasis on ensuring that contributions are paid promptly to the Fund and in accordance with the scheme rules.

The Fund has also set out these requirements in the Pension Administration Strategy (PAS). PAS sets out the timescales that Employers must adhere to and emphasises that Employers must ensure they have the appropriate controls in place to ensure compliance with COP14 and the PAS.

For Hackney, scheme contributions are paid over on a monthly basis, alongside submission of the HK221 spreadsheet. The contributions must be received as cleared funds by the 19th calendar day of the month following deduction. In addition, the monthly HK221 data spreadsheet, which accompanies the contributions, must be submitted in the stipulated format by the 19th. Whilst the majority of Employers do pay their contributions on time, there are still some Employers who struggle to comply in this area.

As a result, Equiniti will be tightening up on exercising the Fund's right to charge for late submission of data under the PAS. The PAS details the regulation that permits the Fund to levy a charge on an Employer where the pertained details are not received by Equiniti within the agreed timescales. The charge for late monthly contribution submissions are as follows:

- Monthly Contributions- Payments received later than the 19th calendar day of month following deduction incur a £65 charge, plus daily interest, until payment is received.
- Monthly HK221 and Data Spreadsheet - Non-provision of the correct schedule of payments in the format stipulated by the Fund, which accompany the contributions by the 19th calendar day of the month following deduction, incur a £65 charge per occasion.

If Employers are having problems meeting the above deadlines then please contact Equiniti or the Hackney Pensions Team to discuss the issues. We are more than happy to help and assist to ensure that payments are received on time.



Contact Details

The Hackney Pension Team

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The Pension Administrators

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Useful websites

[Www.lgpsmember.org](http://www.lgpsmember.org)
[Www.lgpsregs.org](http://www.lgpsregs.org)
[Www.thepensionregulator.gov.uk/public-services-schemes.aspx](http://www.thepensionregulator.gov.uk/public-services-schemes.aspx)
[Www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age)