

LOCAL GOVERNMENT ASSOCIATION Bulletin 59 on Teachers' Pensions

October 2018

Dear colleague

Welcome to the October issue of the bi-monthly bulletin from the LGA's Teachers' Pensions team. The bulletin will update you on LGA's work on Teachers' Pensions (TP) and developments in the Teachers' Pension Scheme (TPS).

Local Authority (LA) reference groups

We obtain LAs' views on the TPS from our reference groups, details of which can be found [on our website](#):

Teachers' Pensions Local Authority Action Groups (TPLAAGs)

The TPLAAGs' role is to discuss administrative issues relating to the TPS. The groups are meeting in November in London, Manchester and York, the dates of the meetings can be found in a [later article](#) in this bulletin.

Advisory Group

The Advisory Group's role is to discuss policy issues relating to the TPS. The group is meeting next on 11 December in London.

We are always looking for new members for our groups, contact jackie.wood@local.gov.uk to find out how to get involved.

2018 Annual Teachers' Pensions Conference

There was a good atmosphere at last month's annual Teachers' Pensions conferences that took place in York on 11 October and in London on 16 October and were chaired by Jeff Houston, our head of Pensions. In case you do not know, the conferences are a great opportunity for networking, to meet other TP practitioners and discuss topical issues.

The conferences give you an opportunity to hear from and meet representatives from the TPS scheme manager, the Department for Education

(DfE). This year, as well as the DfE providing their annual update about the scheme, they ran a workshop for delegates to find out in detail how the DfE manages the scheme, the work that is undertaken which includes policy such as the current scheme valuation, 'business as usual' such as debt recovery and dealing with casework and correspondence. The DfE team's other key roles are the financial management and performance of the TPS, including the employer administration levy and the management of the TPS administration contract with Capita.

We had very interesting and informative presentations from the Pensions Ombudsman (TPO) with Mairi Spiby, their stakeholder manager, speaking in York and Anthony Arter, the Pensions Ombudsman, speaking in London. Included in the presentations was information about the **new 'distress and inconvenience' awards** that were introduced by TPO in September.

Paula Graham took over the role of head of operations at TP last year. Paula talked about the challenges she has dealt with since leading the team: the increasing number of employers and member helpline problems. There has been an extensive review of member helpline which resulted in extra resources being added to the team and a greatly improved service.

The second workshop at the conference was about ill health retirement when Cat Ellis and Wills Crump from Eversheds Sutherland provided a legal perspective on ill health including very useful information about the background to ill health and pensions tax and some thought provoking case studies about terminal illness. Stephen Fry from Teachers' Pensions provided the scheme specific information.

We heard all about the changes that are being planned for the Employer Portal to improve the experience for employers in the third workshop from TP's engagement team, Tony Watt, Dan Maughan and Jo Cole.

The presentations from the conference can be found on the **LGA website**, together with six interesting case studies from the Pensions Regulator involving the TPS. Feedback from the conference workshops will be circulated to delegates shortly.

We have already set the dates for the 2019 annual Teachers' Pensions conferences: Tuesday 8 October in London and Thursday 17 October in York.

New LGA webpages

Please visit the **new webpages** on the LGA website that the LGA pensions team has developed, designed to promote our work across local government pension schemes as well as signposting to scheme specific guidance about

the Local Government Pension Scheme, Firefighters' Pension Scheme as well as the TPS. Information about the Police Pension Scheme is to follow!

If you have any comments on the new webpages, please [let us know](#).

Dates for your diary 2018/19

6 November	TPLAAG South – London
13 November	TPLAAG North East – York
29 November	TPLAAG North West - Manchester
11 December	Advisory Group – London
29 January	MCR workshop – London
18 March	Advisory Group – London
8 October	LGA conference – London
17 October	LGA conference - York

TPS Valuation

We are still awaiting the outcome of the 2016 valuation of the TPS which will determine the employer contribution rate for the next valuation period from 1 April 2019 until 31 March 2023.

The delay has been due to HM Treasury's late notification of 'central assumptions' that must be used in the valuation of all public service pension schemes. On 6 September 2018, in a [Written Ministerial Statement](#) the Chief Secretary to the Treasury, Elizabeth Truss, announced details of the quadrennial national scheme valuation of public service pension schemes.

HM Treasury also published on 6 September the draft Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2018, a technical annex to the Directions, together with a letter from Ms Truss to the General Secretary of the TUC. The letter invited comments on the proposed amendments to the existing directions. The Government Actuary's Department (GAD) also published a [technical bulletin](#), which provides an overview of Ms Truss' statement and the associated documents issued by HM Treasury. The documents can be found on the [GOV.UK website](#).

The indicative result of the valuation is that there will be a significant increase to the current employer contribution rate of 16.48%, it is estimated that this will

increase to 23.6%. This is due to changes to the SCAPE discount rate that sit outside the **employer cost cap** process and is used to assess the current cost of future pension benefits. The discount rate will change from CPI + 2.8% to CPI + 2.4% from April 2019, to reflect the current long-term forecast of GDP (gross domestic product) growth. This change was confirmed on 29 October in the **2018 Budget**.

Once the final directions are published, GAD will undertake a calculation to determine the TPS costs and the DfE will then confirm the employer contribution rate.

The indicative results also show that the cost cap has been breached due to the value of member benefits having fallen, this is as a result of the assumptions about earnings (pay increases lower than expected) and reduction in life expectancy. Discussion is now taking place with the TPS **Scheme Advisory Board** to recommend changes to the scheme design for career average section members of the TPS to align member costs to the cost cap.

The DfE has confirmed that there will be funding for the financial year 2019/20 for maintained schools and academies to meet the additional costs resulting from the scheme valuation, a consultation process will take place to determine final funding arrangements. The LGA is awaiting confirmation as to whether this funding will cover the cost of teachers centrally employed by local authorities. Funding for 2020/21 onwards will be discussed as part of the next comprehensive spending review.

Implementation of the change of employer contribution rate will take place on 1 September 2019 rather than 1 April 2019 due to the delay in the announcement of the valuation result.

Budget 2018

On 29 October the Chancellor of the Exchequer, Philip Hammond, presented his 2018 Budget statement. There were some announcements that related to pensions in the Budget, the following was confirmed:

- Valuations of public service pension schemes
 - The reduction in the SCAPE discount rate for calculating employer contributions in unfunded public service pension schemes was confirmed as 2.4% plus CPI from 1 April 2019.
 - Funding for state schools for additional pension costs as a result of the valuation would be provided by the DfE for 2019/20.

- Lifetime allowance for pensions savings
The lifetime allowance will increase in line with CPI to £1,055,000 in 2019/20.
- Pensions cold calling
The government's **response** to its **consultation** on pensions cold calling was published alongside the Budget, the government will shortly be implementing legislation to make pensions cold calling illegal.
- Pensions Dashboard
The government has confirmed their support of the Pensions Dashboard by providing extra funding in 2019/20 for the project. The Department for Work and Pensions (DWP) will consult later this year on the detailed design.

The Pensions Regulator (TPR) news

Pension scams

TPR has recently published details of two pensions scam cases on the [TPR website](#) where the trustees of the pensions schemes involved have been banned from acting as pension scheme trustees.

FCA and TPR joint pensions strategy

On 18 October the Financial Conduct Authority and TPR launched a **joint regulatory strategy** to strengthen their relationship and take joint action to deliver better outcomes for pension savers and those entering retirement.

The Pensions Ombudsman (TPO) news

Redress for non-financial injustice

As reported earlier in this bulletin, new 'distress and inconvenience' awards were introduced by TPO in September. Further information about the awards can be found in their '**Redress for non-financial injustice**' [factsheet](#).

DWP and TPR clarify signposting provisions

The DWP and TPR have released a [joint statement](#) on signposting provisions to TPO and The Pensions Advisory Service (TPAS). The statement clarifies that all complaints and disputes about occupational and personal pension schemes should go to TPO and general requests for information and guidance to TPAS.

TPAS annual review 2017-18

On 18 September, the Pensions Advisory Service (TPAS) published its [annual review](#) for 2017-18 which showed that 186,509 pension savers contacted TPAS seeking help with their pensions in 2017-18.

HMRC news

HMRC has published the following guidance:

- **Pension schemes newsletter 102, 103 and 104**
- **Countdown Bulletin 37** which provides important information about the ending of contracting out.

Occupational Pension Schemes Survey: UK, 2017 published

On 6 September, the Office for National Statistics (ONS) published its annual **Occupational Pension Schemes Survey**. According to the survey, the total membership of occupational pension schemes in the UK was estimated at 41.1 million in 2017, an increase from 39.2 million in 2016 and the highest level recorded by the survey. The survey also reported that the total membership of public sector pension schemes was 15.5 million in 2017, compared with 14.8 million in 2016.

Teachers' Pensions (TP) update

Employer Portal session time update

TP has extended the session time on the Employer Portal following requests from employers. The session time of 20 minutes is being increased to up to 30 minutes before being logged out.

Monthly Data Collection (MDC) checklist and reminder process now live

This new report and reminder process was launched this month, it is designed to identify non-submitted service from previous month(s) MDC files. TP will email employers on the 14th of each month if your MDC submission is missing any service details or withdrawal indicators and let you know what you need to do to correct this. They will run the report again on the 21st of the month and if a checklist has not been returned, they will notify you directly.

Some of the main reasons for non-submitted service are:-

- Members who move schools run by a LA but TP has not been notified that they have left the employment of the previous school via a withdrawal indicator (identified on your checklist file in column AB as "Potential missing withdrawal indicator (LA) at.....")
- Members who have left your employment but TP do not have a withdrawal indicator to confirm this
- Members who have opted out of the TPS and the service has not been supplied.

Please ensure that you read the [new guidance](#) that TP has recently added to the TP website, explaining in detail what you need to do with the report.

As a result of the first release of the checklist, TP has identified a couple of small issues that they are looking to correct:

- For LAs or providers looking after individual maintained schools, it was intended that the output of “Potential missing withdrawal indicator (LA) at.....” would be restricted to those members whose date of leaving was after the 14/09/2018. However all members have been output on the file. Future checklist files, including your reminders, will use this date to restrict the outputs. For now you can therefore ignore any members where the date is before 14/09/2018 as TP will contact you at a later date.
- TP did not include the employer name or number in one of the emails issued and this will be displayed in future.

You can find more information on the process and report on the TP [website](#).

Completion of MDC error files

It is essential to check and complete any error files received after submitting monthly data. Where errors are not corrected, the service for the member in question will not be updated. If these problems are not fixed, it could lead to member details being missed from your data submission over long periods of time.

To avoid gaps in service, please complete and return your error file, which can be found in “downloads”, by the last working day of each month.

Certificates of re-employment (CRE)

Due to the introduction of MDC, you no longer need to complete a CRE for the majority of re-employed members this year. However, please note that any members who have been in re-employment in a previous tax year, and are yet to submit a CRE, are still required to do so.

When completing a CRE for opted out members, please ensure that all fields are filled in correctly. All service and salary details are required, regardless of opting status. Those members that need to complete CREs will be contacted by TP.

Monthly Contributions Reconciliation (MCR) workshops

A number of MCR workshops took place in September (the LA workshop was held in Dorchester) where TP met with representatives from LAs, other TPS employers, payroll providers and software providers to discuss what employers can expect from the upcoming MCR solution.

TP also received feedback on the process of on-boarding to MCR, as a result TP will be providing:

- Detailed guidance on MCR including worked examples
- Confirmation on the process for submitting concurrent service using new ID fields
- Confirmation on the process for reporting refunds and back dated pay awards
- Enrolment information, removing the need for employers to complete the enrolment forms each month.

Completion of form 22a

To assist TP in processing death benefits cases and ensure that the affected families in these cases are dealt with swiftly and smoothly as possible, please could you ensure that all sections of form 22A is completed before sending to TP. TP has seen a few instances where Part A, question 6 “Was ill-health the main factor in the teacher leaving pensionable employment?” has been left blank. If you have any questions about the form fields, please [email](#) TP.

End of Year Certificate submission deadline

The final submission date of 30 November for audited EOYCs for the 2017-18 financial year is approaching. If you have any queries, [contact TP](#) but please note that it is a very busy time of year and your patience is appreciated if awaiting replies to queries from the team.

Payment of prior year contributions

There are occasions where employers who have identified arrears for prior years, agree a payment plan with the member, then submit the arrears with the current months’ submissions without TP knowledge.

Where prior year arrears are identified, you should inform the TP arrears team via email providing the period of service and salary details. The team will then complete a calculation and issue an invoice accordingly. Unless there is prior agreement, payment of the invoice should be as a one off payment and should not be included in the monthly contribution submission.

Member opt out refunds

When reviewing the ratio errors (the contributions are not within + or – 0.2% of the expected tiered contributions) the main reason that the employer and employee tier do not reconcile is due to “member opted out – refund given”. When completing the monthly breakdown form all three of the pensionable salary, employer contributions and employee contributions boxes should be amended accordingly in respect of the refund.

Employer bulletin satisfaction survey

The feedback from employer to TP is important in making positive changes

and improving the experience that both employers and members have with the TPS.

Each month, TP send a survey to employers approximately one week after their employer bulletin is circulated and would appreciate it if you could take the time to complete this. Alternately, you can complete the survey online now.

Connect on LinkedIn

Are you connected with TP on LinkedIn? TP has a dedicated page on LinkedIn specifically for the employer audience. If there anything that you would like to see on TP's LinkedIn page, [let them know](#).

New and updated email templates for the My Pension Online (MPO) report

TP emailed employers recently regarding the MPO report that is available on the Employer Portal each month. The report has been created to keep you up to date with details of those employees that do not have MPO accounts.

To help you encourage your employees to register for MPO, TP has created a series of emails, along with reminders, to send to employees outlining the benefits of MPO. These can be found in a variety of formats on the [website](#).

Guaranteed Minimum Pension (GMP) update

The GMP reconciliation project is now in its final phase and on track for investigations to be completed by 31 December 2018. To date, around 1.6 million member records have been investigated and queries raised with HMRC where necessary. TP will continue to review HRMC responses to ensure any follow up actions are swiftly completed.

Incorrect National Insurance numbers (NINOs) are still being detected and corrected where possible. Please can you ensure that NINOs are checked prior to submission to ensure their accuracy. You can continue to use existing processes to update or correct NINOs if you identify any that are incorrect.

Electronic signatures

It is a requirement that the declaration is signed with a hand-written signature when returning paper forms. Electronic signatures are not permitted and any forms with these will be returned to you. This also applies with member signatures.

Researchers in school payments

In the TPS, all salary and allowances under a "pay order" in a maintained school are pensionable. The latest version of the School Teachers' Pay and Conditions Document (STPCD) can be found on the GOV.UK [website](#).

For other establishments that do not follow the STPCD, all salary, wages, fees and other payments paid under a teacher's contract of employment are pensionable. Exceptions to this include the payment of bonuses in relation to the performance of an individual.

The Researchers in schools and the Maths and Physics chairs programmes are not referenced in the STPCD, hence it is the employer's responsibility to determine whether each element of pay is pensionable or not. If the Researchers in schools payments, including the salary uplift payment for Maths and Physics chairs, forms part of an individual's teaching contract and is seen as part of their teaching duties, the payment would be pensionable under the TP regulations. Similarly, if you considered this to be part of an individual's continuing professional development as a teacher or as a recruitment and retention payment, this would also be pensionable.

If, however, you determine that the Researchers in schools payment including any salary uplift payment for the Maths and Physics chairs is a non-pensionable bonus, you must be satisfied the payment meets the conditions of a non-pensionable bonus under the TP regulations ie the payment is not paid to every person in the establishment or a particular class or description of member.

Please note that if the payments are made under separate contractual arrangements for a researcher, if you determine that the payments are not pensionable under the TP regulations, you should consider whether contributions are payable under another pension scheme, such as the Local Government Pension Scheme.

Should there be any doubt about the position, you should treat the payments as pensionable so that arrears of contributions do not arise in the future. If you determine that the payments are non-pensionable, they must be clear on what basis contributions are not due. You may also need to consider these payments based on the circumstances of each particular case.

Member salary increases and contributions

In the latest newsletter to members, TP advised on the recent government announcement on the increase in teachers' salaries and how this had an effect on the contribution bands they fell into.

The salary bands for the different contribution rates are amended at the start of April, with the lower and upper range of each band increasing in line with the rate by which CPI rises in the year to September in the previous year. In April 2018 the lower and upper limit for each band was increased by 3%, as this was the rate by which CPI rose in the year to September 2017.

This means that the cost of living increase has already been factored into the salary bands for the contribution tiers.

A member receiving a 3% increase in September may find themselves moving up a contribution tier, but this is simply because they moved down a tier in April and are now returning back to the tier they had been in before TP increased the lower range of the salary band in April. For example, the lower range for the 8.6% tier was £26,260 but increased to £27,048 from April 2018. A member with an annual salary of £26,260 was therefore moved from the 8.6% tier to the lower 7.4% tier from April. If that same member receives a 3% pay rise in September, increasing their salary to £27,048, they will move back to the 8.6% tier from September onwards.

You can find more information about the contribution rates on the TP [website](#).

Member presentations

Following feedback from both members and employers, TP is currently in the process of introducing training opportunities for members of the TPS. Although these plans are still in the early stages, they can confirm that these will initially consist of seminars held within teaching establishments as well as short online videos.

The subject matter will include a general overview of the TPS, with the view to cover pre-retirement in the future. Seminars will need to be organised by employers and have a minimum of 40 attendees. If you are interested in hosting such an event, please [email](#).