

## **LOCAL GOVERNMENT ASSOCIATION**

### **Bulletin 61 on Teachers' Pensions**

**February 2019**

Dear colleague

Welcome to the February 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](#):

##### Advisory Group

Our Advisory Group is meeting on 16 March. The draft agenda for the meeting can be found at [Appendix A](#).

##### TP Local Authority Action Groups (TPLAAGs)

Our TPLAAGs discuss new administration initiatives proposed by TP and Government in relation to the TPS. The groups are meeting in May in Manchester, York and London. The dates can be found in '[dates for your diary 2019](#)'.

Interested in getting involved? We are always looking for new members for our groups, contact [jackie.wood@local.gov.uk](mailto:jackie.wood@local.gov.uk) for more information.

#### **Monthly Contribution Reconciliation (MCR) workshops – January 2019**

Thanks very much to those of you who were able to attend one of the MCR workshops that TP held for LAs in England and Wales in January and February.

Barry Bailie from TP will be providing an update on the workshops at our Advisory Group meeting in March, including the key points that were raised by LAs, this update will be included in the April bulletin.

## Flow of Data meeting

As reported in the December 2018 bulletin, the LGA's survey report '**LAs' role in the administration of the TPS'** highlighted issues that LAs are experiencing with maintained schools that have outsourced their payroll function from their LA. This was a follow up survey to the LGA's 2016 outsourcing survey<sup>1</sup>, as a result of which TP set up the Flow of Data project to discuss the flow of pensions data between pensions administrators and TP.

The Flow of Data group comprises representatives from LAs, other employers and payroll providers. At a meeting of the group in January, there was discussion about the introduction of an accreditation process for payroll providers, this was supported by the group. The group will be meeting again in May. If you are interested in getting involved in this group, contact [jackie.wood@local.gov.uk](mailto:jackie.wood@local.gov.uk)

## Dates for your diary 2019

18 March	Advisory Group – London
1 May	Flow of Data group - Darlington
16 May	TPLAAG meeting – York
21 May	TPLAAG meeting - London
23 May	TPLAAG meeting - Manchester
16 July	Advisory Group meeting – London
8 October	LGA conference – London
17 October	LGA conference – York
5 November	TPLAAG meeting - London
21 November	TPLAAG meeting - York
28 November	TPLAAG meeting - Manchester
9 December	Advisory Group meeting – London

## Change to TPS salary bands for employee contributions

There is no change to the TPS employee contribution rates from 1 April 2019, they remain the same as the 2018/19 rates. However the salary bands for employee contribution rates will increase by 2.4%. The reason for the change is that the salary bands increase in line with the Consumer Price Index (CPI) and CPI rose by 2.4% in the year to September 2018.

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<sup>1</sup> available in the 'Outsourced HR and payroll' section on the [LGA website](#)

The 2019/20 salary bands can be found below:

Annual salary rate for the eligible employment from 1 April 2018 – 31 March 2019	Annual salary rate for the eligible employment from 1 April 2019	Employee contribution rate
Up to £27,047.99	Up to £27,697.99	7.4%
£27,048 to £36,410.99	£27,698 to £37,284.99	8.6%
£36,411 to £43,171.99	£37,285 to £44,208.99	9.6%
£43,172 to £57,216.99	£44,209 to £58,590.99	10.2%
£57,217 to £78,022.99	£58,591 to £79,895.99	11.3%
£78,023 and above	£79,896 and above	11.7%

### TPS Valuation

- As reported in Bulletins [59](#) and [60](#), the indicative result of the TPS valuation is that the current employer contribution rate of 16.48% will increase to 23.68% from 1 September 2019 (0.08% is the administration charge).
- On 15 January the Department for Education (DfE) launched a [consultation](#) to seek views on the DfE's proposal to provide funding for certain educational institutions for the increase to employer contributions to the Teachers' Pension Scheme in 2019/20 ie the additional 7.2%
- Part 4 of the consultation sets out the rationale for funding, the DfE is proposing that funding be provided to the following public-funded institutions:
  - Mainstream and special maintained schools
  - Mainstream and special academies (including Alternative Provision, 16-19 academies and free schools)
  - Maintained nursery schools
  - Non-maintained special schools
  - Independent Special Schools, to the extent they educate children with Education, Health and Care Plans.
  - Local Authority Centrally Employed Teachers
  - Music Education Hubs

- The consultation closed on 12 February, the **LGA response** to the consultation supported the proposal to fully fund all public-funded schools and centrally employed teachers working in local authorities.
- On 30 January, in a **Written Statement** to the House of Commons, Elizabeth Truss, Chief Secretary to the Treasury, announced that the Government was pausing one element of the valuations of public service pension schemes, as a result of the **Court of Appeal judgement** in the case of McCloud and Sargeant v the Ministry of Justice and the Home Office. The cost cap part of public service pension scheme valuations has been suspended.
- The DfE has confirmed that scheme cost valuation will proceed as planned to implement an employer contribution rate of 23.68% from 1 September 2019, but the changes to member benefits will be paused until the outcome of the Government's appeal against the judgement to the Supreme Court is known and / or a remedy can be agreed with the Employment Tribunal.
- The key reasons for this are as follows:
  - Employers' contribution rate – it is necessary to implement the new contribution rate because scheme costs have risen and the rate arrived at addresses the immediate cost pressures. Delaying would only create a deficit which would push any future rate even higher.
  - Member benefits – whilst this creates uncertainty in the short-term, the Government had no option other than to react to the judgement. If the Government is successful with its appeal, members will receive improved benefits from 1 April 2019 as planned in line with the cost cap rectification arrangements, otherwise members will receive the benefit changes needed to address the Court of Appeal decision.

### **Firefighters and Judges - Court of Appeal judgement**

On 20 December 2018, the Court of Appeal handed down the **judgement** in the case of McCloud and Sargeant v the Ministry of Justice and the Home Office. The cases relate to the transitional protection arrangements in the 2015 Firefighters' Pension Scheme and the Judicial Pension Regulations 2015 and whether they were discriminatory. The cases were heard together as a result of an Employment Tribunal order in May 2017 as they dealt with similar issues and had previous contradictory outcomes.

The Court of Appeal ruled that the two groups had been discriminated against by the Government on the grounds of age regarding changes to their pension.

As reported in the 'TPS Valuation' article, the Government is seeking permission to appeal this decision.

### Lifetime Allowance

The **Finance Act 2004 (Standard Lifetime Allowance) Regulations 2019** set out the standard lifetime allowance for the tax year 2019/20, as is required by the **Finance Act 2004, s. 218(2D)**. The standard lifetime allowance for the tax year 2019/20 is £1,055,000. The regulations were made on 10 January 2019.

### Pensions cold-calling banned

The **pensions cold-calling ban** came into effect on 9 January. The ban was initially due to be introduced by June 2018 after amendments were made to the Financial Guidance and Claims Bill but its implementation was delayed while HM Treasury consulted on "technicalities". It has now become law under the **Electronic Communications (Amendment) (No 2) Regulations 2018** which came into force on 19 December 2018.

### SFGB now live

After becoming a legal entity in October 2018, the government's Single Financial Guidance Body (SFGB) has now officially adopted its delivery functions. The SFGB consolidates the services offered by the Money Advice Service, TPAS, and Pension Wise. The **SFGB website** sets out its five core functions, including pensions guidance, debt advice, and consumer protection.

The SFGB is funded by levies on both the financial services industry and pension schemes. The new body is sponsored by the Department for Work and Pensions (DWP), but will also engage with HM Treasury, which is responsible for policy on financial capability and debt advice. The body will change its name in 2019 as it develops a new outreach strategy, which will include a new integrated service offer and enhanced partnership working with the wider industry, employers and key stakeholders.

### Auto enrolment

Review of the earnings trigger and qualifying earnings band for 2019/20  
On 4 December 2018 the Government published its **annual review** of the earnings trigger and qualifying earnings band for auto enrolment into a workplace pension. The review concluded that the existing threshold of £10,000 remains the correct level at this point in the establishment of auto enrolment and will not change for 2019/20. This represents a real terms decrease in the value of the earnings trigger when assumed wage growth is

taken into account and will bring an additional 40,000 individuals into the target population.

#### Automatic enrolment evaluation report 2018

On 18 December 2018 the Government published the [Automatic enrolment evaluation report 2018](#) which evaluates the implementation of auto enrolment into workplace pensions since auto enrolment began.

### The Pensions Regulator (TPR) news

#### TPR compliance reporting

- Auto enrolment: declaration of compliance report: July - December 2018  
1,448,774 employers confirmed that they had met their duties by completing their declaration of compliance between July 2012 and the end of January 2019. 10,003,000 eligible jobholders were auto enrolled into an auto enrolment pension scheme during the same period. TPR celebrated reaching the milestone of 10 million people being auto enrolled in a [TPR blog](#).
- Compliance and enforcement quarterly bulletin: between October and December 2018 TPR issued 6,795 compliance notices and conducted 88 auto enrolment inspections. During this period TPR conducted its [first prosecution](#) for fraud and employer-related investments against a trustee who was also a qualified accountant.

#### New TPR powers

- On 11 February DWP published the Government's response to its [consultation](#) on plans to improve the TPR's powers, which would allow TPR to identify potential problems earlier and take more effective action. The Government will be introducing two new criminal offences to prevent and penalise mismanagement of pension schemes. More information about the new criminal offence of 'wilful or reckless behaviour' can be found in a [press release](#) published on the same date.
- TPR has issued a [statement](#) regarding the plans to improve TPR's powers.

### HMRC newsletters

HMRC has published the following newsletters:

- [Pension schemes newsletter 106](#) which contains updates and guidance on pension schemes
- Countdown [bulletins 41 and 42](#) which contain important information about the ending of contracting-out

## Teachers' Pensions (TP) update

### TPS Valuation

TP has developed a set of FAQs about the Valuation, these can be found on the TP [website](#).

### Change to the opt out process

The opt out process changed on 4 February. From this date, the effective date of an opt out is based on when you receive a notification that an online opt out application requires your input, or the date when you receive a paper-based application form from an employee. The opt out date for opt out forms processed before 4 February was based on the date the completed opt out was received by TP.

If you receive an online notification or paper opt out application form within the first three months of the date of contractual enrolment, auto enrolment or auto re-enrolment, the opt out will be effective from the date of the contractual enrolment, auto enrolment or auto re-enrolment. You can arrange for future pension contributions from payroll to be stopped and for a refund via payroll of any contributions already deducted as a result of this recent enrolment or re-enrolment.

- For example, Mr White started in a new post on 1 January 2019 and is contractually enrolled. He completes an online application to opt out on 31 March 2019, and a notification that an item requires your attention is issued to you. As 31 March is a Sunday, you do not look at and complete your section of Mr White's application until the following day, 1 April 2019. But as the online application / notification to you was made within three months of Mr White's contractual enrolment, the effective date of the opt out is 1 January 2019. You can arrange for future deductions from payroll to cease with effect from 1 April and for the deductions from January, February and March to be refunded via the usual payroll process.

If you receive an online notification or paper opt out application form more than three months after contractual enrolment, auto enrolment or auto re-enrolment, the opt out will be effective from the first day of the month after the month you received the notification / paper opt out application form. You can arrange for future pension contributions from payroll to be stopped in accordance with this effective date.

- For example, Mrs White was auto re-enrolled on 1 December 2018. You receive Mrs White's paper-based opt out application form on 1 March 2019 (although she signed it on 28 February). As this is more than three months

after Mrs White's auto re-enrolment date, the effective date of the opt out will be the first day of the month after the month you received it; in this case 1 April 2019. You must arrange for pension contributions from payroll to cease with effect from 1 April.

TP will still issue a confirmation of the effective date, both to yourselves and to the member, but it will be based on when you receive the notification of an online election or paper opt out application form, not when a completed application is received by TP. This should mean that you have sufficient time to process opt outs before the appropriate payroll change cut-off date.

TP will also be communicating this change to TPS members, as well as updating the application forms (online and paper) and other scheme literature.

#### MDC guidelines update

TP has updated some of the wording in their **MDC Guidance and Error Codes document**.

The changes have been made to provide clear guidance on how you should submit your monthly MDC files, specifically, additional details surrounding MATs, payroll providers and characters that must and must not be used has been clarified.

#### Employer portal

- Guide updated  
The **employer portal guide**, which provides employers with detailed guidance on how to use the portal, has been updated. The guide features a new design, a clearer layout and the most up to date information, links and screenshots from the portal.
- Security question and answer  
Please ensure that you have set a security question and answer on your employer portal account; these details will assist you if you need to reset your PIN and password. You can do this by selecting the "Change security question" option on your employer dashboard.

#### End of year certificate (EOYC)

- Identification of arrears of contributions for prior years  
As part of the annual EOYC exercise, it has come to light that a number of employers are collecting arrears of contributions for prior years in the current financial year. If arrears have been identified you should contact the TP **Arrears team** providing details of the service and salary (plus details of contributions if any have been deducted) and they will issue the appropriate invoice for this period.

For any overpayments identified, these can be adjusted via the monthly

contributions submission by entering the value in the Prior Year refund field.

- Monthly contributions ratio analysis v EOYC  
When submitting monthly contributions, there is a 0.2% tolerance on the individual tier values. This is comparing the actual contributions entered on the form against the calculated total when applying the relevant percentage to the contributory salary.

If the tolerance exceeds 0.2% the form returns a “No” and a reason has to be provided. Employers have challenged why TP cannot accept the EOYC when the tolerance is greater than £50 whereas TP accept the monthly contributions with an imbalance.

The reason for this is that on balance many ratio queries are resolved the month following identification and in effect cancel each other out, so that within the year there is no imbalance while there is for two separate months. The current £50 tolerance is applied to account for roundings, the maximum rounding is 0.49p. This will be exceeded if there is in excess of a minimum of 10,200 transactions that require rounding (and assuming that they are either all rounded up or down).

If you are issued with an email regarding an imbalance please contact TP with the reasons and they will look at this on an individual basis. If you have any queries, please [email TP](#).

#### New posters

TP has produced new posters promoting the benefits and options that members have within the TPS:

- Family leave
- What is the Teachers’ Pension Scheme?
- The importance of viewing your Benefit Statement.

The posters can be found on the TP [website](#).

#### TP training cancellations

If you do need to cancel any **TP training sessions** that you have booked, please do so as soon as possible, by contacting TP by [email](#). If cancellations are not received, TP may be applying a fee for those who do not attend or have not informed them within a given timescale.

**LGA Teachers' Pensions Advisory Group Meeting**

**Monday 18 March 2019**

**Venue: 18 Smith Square, London SW1P 3HZ**

**Start at 11.15am                      Finish by 3.30pm**



**Agenda**

- 1. Welcome and apologies**
- 2. Notes of meeting – 11 December 2018**
- 3. Matters arising from the notes**
- 4. Membership**
- 5. Monthly data collection**
- 6. Monthly contributions reconciliation**
- 7. Flow of Data project**
- 8. Finance update**
- 9. Arrears of contributions**
- 10. TP policy update**
- 11. Death benefits – in or out of service**
- 12. Changes to TP forms**
- 13. LGA Conferences**
- 14. TPLAAG meetings – May 2019**
- 15. Dates of future meetings**  
**Tuesday 16 July 2019**  
**Monday 9 December 2019**  
**Monday 16 March 2020**
- 16. Any other business**