

Covid-19 (Coronavirus) – FAQs for Scheme Employers

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FURLOUGHED EMPLOYEES

Is furlough pay pensionable?

Yes, furlough pay is pensionable pay under the regulations. Employee and employer contributions should be deducted based on the actual pay the furloughed employee receives. Assumed Pensionable Pay does not apply.

Does the full employer contribution rate still apply, as the Government grant doesn't cover it?

Yes, the full employer contribution rate will still apply.

How will furlough pay affect pension build up?

Members will continue to build up CARE pension based on the actual pay they receive. If the furlough pay is less than their normal pay (because the employer chooses not to top up pay to 100%), the pension they build up will also be less. They can choose to buy additional 'extra' pension to make up for the pension lost during this period. The employer is not obliged to split the cost with the member but can choose to.

Final salary benefits are usually calculated using the pensionable pay earned in the year before leaving the scheme; however, one of the two previous years' pay is used, if higher. This should prevent final salary benefits from being detrimentally affected if the member's pay is reduced due to being on furlough.

Example:

A furloughed member has a salary of £24,000 per year (£2,000 per month).

They will receive 80% of this £1,600 for an estimated period of 3 months.

The employee will have £400 less pay each month.

The employee's lost pay for the period is therefore £1,200 (3 x £400).

Pension accrues at 1/49th of pay.

The member's lost pension will therefore be £24.49 per year due to furlough (£1,200 \ 49).

The cost of buying pension is dependent upon age. For an employee aged 60 the total cost would be roughly £360 to buy back this lost pension. If they were aged 30 the total cost would be roughly £180.

What should we do if we wish to split the cost with the member of buying 'extra' pension to make up for the pension lost during this period?

Furloughed employees are on paid leave, and therefore would need to make an application to buy 'Extra pension' as opposed to 'Lost pension'.

There is no requirement for employers to split the cost. However, as an example, under the 'Lost pension' rules an employer must pay 2/3rds of the cost if an employee elects to buy back lost pension within 30 days of returning to work.

You may therefore wish to adopt 'Lost pension' rules for furloughed employees and opt to pay 2/3rds of the cost, or you may wish to specify time limits for employees to make an application following their return to work, in order for costs to be split.

Employers are unlikely to have accounted for this situation in their Employer Discretion Policy, and therefore if you wish to split the cost (or meet the whole cost) please can you confirm to us in writing how you are treating such cases, and also make this decision available for your employees to access.

Employees should still complete an application to buy 'Extra Pension'. We would then send an invoice to employers once all applications have been received and confirmed.

Do furloughed employees need a doctor's letter of good health to make up for the pension lost during this period?

When members take out an application to buy extra pension we usually require a doctor's letter to confirm they are in good health (as extra pension is brought into payment without reduction in the event of ill-health retirements).

There is no requirement for a furloughed member to provide this provided they are only buying back their lost pension.

When determining the employee contribution rate on 1 April 2020, should furlough pay be used?

Yes, if furlough pay forms all or part of a member's pensionable pay it should be used to determine the employee contribution rate on 1 April 2020.

Regulations provide that where there is change to employment, or a material change, during the year, the employer can make a further determination and reallocate a member to a different band - if they do this, they must notify the member.

How will being on furlough leave affect a member's death in service benefits?

Assumed pensionable pay (APP) is used in the calculation of the death grant and any survivor benefits if a member dies in service. APP is usually calculated using the average pensionable pay the member receives in the three months before the pay period in which they die. For information on APP please refer to the Payroll Guide to the LGPS found at the following link: <http://lgpsregs.org/resources/guidesetc.php> (Look for HR and Payroll in the 'Subject' column.)

If a member receiving reduced furlough pay dies in service, employers should make use of the provision in the regulations that allows them to substitute a higher pay figure to reflect the pensionable pay the member would normally have received.

ANNUAL RETURN OF MEMBER DATA

Is the deadline for submitting member data still 21 April 2020?

Yes, but we appreciate that it might be difficult in some cases. If, closer to the deadline, you are unable to provide the data by this date, please contact us.

Will Annual Benefit Statements still be issued to members by 31 August 2020?

This is currently still the deadline, but our ability to meet this target will depend on the data we receive from employers.

PAYMENTS TO THE SUFFOLK PENSION FUND

Can payments to the fund be paused or delayed?

Contributions are still expected by the 5th of each month in line with our Administration Strategy.

Employee contributions should continue to be collected and regulations require them to be paid over in the month following the month in which they were deducted.

Capital costs (pension strain costs for early retirements) are still expected to be paid within 3 weeks of invoice.

What should we do if we are struggling financially with the impact of the Coronavirus?

Information on the Government's support for businesses can be found here: <https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>.

If there is a risk that you will be unable to make payments to the fund, please contact paul.finbow@suffolk.gov.uk as soon as you think this may arise to discuss.

For Admission Bodies, if a guarantee is in place from another scheme employer, any alternative arrangements would need to be agreed with the guarantor as they will be ultimately responsible should the contributions not be paid.

What happens if employer contributions are received late?

If an employer fails to pay contributions on time, regulations confirm that the Suffolk Pension Fund may levy interest of base rate plus one percent from the due date to the payment date daily with three monthly rests.

Paragraph 147 of [TPR Code 14](#) also requires that where the 'scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable'.

EMERGENCY VOLUNTEERING LEAVE AND SECONDMENT

What employee and employer contributions are payable if a member takes Emergency Volunteering Leave (EVL)?

Employer pension contributions will be based on assumed pensionable pay (APP). Employee pension contributions will be based on the amount of the employee's actual pay during emergency volunteering leave. All scheme discretions should operate in the same way as if the member were receiving normal pay.

An active member is seconded as part of the emergency staffing; how does this affect their pension benefits?

If any LGPS members are seconded on emergency staffing to the NHS, their pension benefits continue on the same basis as before the secondment.