

# McCloud data collection exercise

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## Background

On 16 July 2020, MHCLG published a [consultation on amendments to the statutory underpin](#). The consultation outlines proposed changes to the LGPS in England and Wales to remove the unlawful age discrimination found by the Courts in relation to public service pension scheme 'transitional protection' arrangements.

We understand that SPPA and the Department for Communities will shortly be issuing similar consultations for the LGPS in Scotland and Northern Ireland respectively.

The proposed changes would mean that a revised underpin will apply to all members, regardless of their age, who:

- were active on 31 March 2012
- build up benefits in the 2014 Scheme<sup>1</sup>
- do not have a disqualifying break.

Under the proposals, in order to calculate if an underpin addition applies, you will need hours and service break data for all qualifying members for the period from 1 April 2014<sup>1</sup> to the earliest of 31 March 2022, the member's 2008 Scheme normal pension age (NPA) or the date the member left active membership of the Scheme.

We have created a suite of documents to assist you with the process of collecting this data. The documents have been created in conjunction with the Scheme Advisory Board's (SAB) McCloud implementation working group. The group is made up of representatives from administering authorities, employers, pension software suppliers, unions, actuarial and legal advisers. We have also consulted payroll providers.

MHCLG is supportive of this work and is keen for a consistent approach to be adopted across the Scheme.

**The SAB recommends that the standard data collection template and notes are used by all administering authorities that need to collect data.**

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<sup>1</sup> 2015 in Scotland and Northern Ireland

## Actions for administering authorities

### Step 1 – assess what data you already hold

We know that some administering authorities have continued to collect hours and service break data for all members since 2014<sup>1</sup>, whilst others have only collected it for those who currently qualify for underpin protection or who have an ongoing added years contract.

If you have continued to collect hours and service break data:

- has it been collected from all employers?
- has it been uploaded to your pensions software system?
- have you carried out the necessary validation checks?

Bear in mind that if you request data that you already hold, the new data may overwrite the data currently held on your pensions software system when it is uploaded. If you have manually adjusted the data on your system, those manual adjustments may be lost if you upload fresh data.

### Step 2 – decide which members to collect data for

If you have identified in step one that you need to collect additional data, you will then need to decide which members to collect data for.

We obtained [legal advice on whether you can collect and retain hours and service break data for all members from April 2014](#)<sup>2</sup>. The advice, provided by Squire Patton Boggs, confirms that you can justify collecting the additional hours and service break data for all members. This can be justified on the grounds that the data will be necessary to comply with your legal obligation to calculate benefits correctly, if in future those members are in scope for underpin protection.

The legal advice also states that you will need to consider the appropriate retention period for the additional data – see paragraph 4.1 of the advice.

You may also want to consider that:

- some members will not qualify for underpin protection in the LGPS but will qualify for protection if they join another public service pension scheme in the

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<sup>2</sup> 2015 in Scotland and Northern Ireland

future. You may be required to provide notional final salary details for this type of member. It is possible that you would not know about this protection until after the member has left the Scheme.

- some members will have unaggregated benefits held with other LGPS administering authorities that, if aggregated, would mean they qualify for underpin protection. The consultation proposes opening the aggregation window for members in scope for a 12-month period from the date the regulations are laid. You might not know if a member qualifies for underpin protection at the point you request data from the employer.
- LGPS employers set their own retention schedules on payroll data that is used for the calculation of pension benefits. If it comes to light later that data is needed for a member who was originally thought not be in scope, that data might no longer be available.

### **Step 3 – decide how you want to upload the data**

Both Aquila Heywood and Civica are in the process of developing upload facilities that will allow you, or your employers, to upload the hours and service break data directly to your pensions software system.

You will need to liaise with your pension software provider to find out when the facility will be available to you and discuss any local requirements you have.

Other considerations:

- Decide if you want employers to upload data directly to your pensions software system (if you allow them access) or if you want to validate the data and upload it yourself.
- Check with your pensions software provider what happens if data for the relevant period is already present ie will the upload overwrite it, or will the upload fail?
- Consider the implications for pension records that have been adjusted for concurrent employments. Do you want to flag these and deal with them manually? Do you have a method to identify concurrent membership that has been recorded?

### **Variable-time and casual employees**

You will also need to consider how you are going to deal with variable-time and casual members. It is unclear how employers record variable-time and casual employment. It is equally unclear how this information is recorded on the pensions

software system at a local level. It seems inevitable that there will be different approaches.

Due to the lack of clarity, no attempt has been made to prescribe this area within the documentation. Employers, payroll and pensions software providers should be consulted to identify local procedures.

#### **Step 4 – adapt the data collection templates and notes**

Once you have decided which members you are collecting data for and how you want the data to be uploaded, you will need to amend the data collection template and notes for your own use.

The highlighted text in the data collection notes lets you know which sections you need to consider amending for local practice. These include (but are not limited to):

- specifying how you wish the data to be uploaded
- specifying which members you are collecting data for
- specifying what data you are collecting (if you have already collected some data)
- adjusting the template for any local practices eg we understand that Civica users require that a pension reference data field is present.

If your administering authority does not take account of term-time weeks in working out a member's percentage (or fraction) of whole-time working, you will need to adjust both documents to reflect this. The template and notes have been created assuming that term-time working is reflected in hours rather than salary data.

**The SAB strongly recommends that no additional data fields are added to the template.** The template has been agreed with both payroll and pension software providers. Using a standard template will assist the software providers and make it more likely that the data will be obtained.

#### **Step 5 – communicate with your employers**

Hopefully you will already have made your employers aware that this data will be needed, so the request will not come as a complete surprise.

We appreciate that you communicate with your employers using various communication tools, so we have provided five key bullet points that you may want to include in communications with your employers.

We have also produced a Q&A document that should accompany the data collection template and notes. Some of the answers require your input, these are highlighted in yellow.

### **Setting a deadline for the submission of data**

One of the questions in the Q&A document asks if there is a deadline for submitting the data. Whilst we have left this blank for your own input, the **SAB recommends a deadline of 31 March 2021 is set.**

We appreciate that payroll providers will have competing priorities, particularly in relation to the coronavirus job retention scheme, and that meeting this deadline will not be possible in all cases. However, we feel it is important that a deadline is set so that all parties involved have a date to work towards.

### **Step 6 – consider how you will deal with non-receipt of data**

We are aware that it will not be possible to obtain the necessary hours and service break data in all cases. This could be the case where an employer no longer exists or where an employer has changed their payroll provider and the historical data is not available.

It is important to strike the balance between employers that cannot provide the data and those that can, but with difficulty. The Q&A attempts to address this issue, it recommends that employers contact their LGPS administering authority if they are experiencing difficulties. It also points out that failure to provide the data may increase an employer's liabilities in the Scheme and could lead to an increase in their employer contribution rate at the next valuation.

All employers should be encouraged to make a best effort to provide the data; however, where it is simply not possible, the SAB McCloud policy group will recommend how these cases should be dealt with. We will update you with further information on this when it is available.

### **Other considerations**

#### **Collecting hours and service break data on an ongoing basis**

The consultation document proposes that the revised underpin will cease in respect of membership after 31 March 2022. When communicating with your employers about collecting retrospective data, you need to ensure that you inform them that they must also provide this data on an ongoing basis until 31 March 2022.

## Collecting final salary at 2008 Scheme NPA

Currently, if a member is still in active service on their 2008 Scheme NPA this is their underpin date. This would remain the case under the proposed new underpin arrangement.

We understand that some administering authorities do not currently perform the underpin calculation at the 2008 Scheme NPA, they wait until the member leaves active membership. However, it does not look like this practice is going to be possible going forward. The consultation proposes that a provisional estimate of the value of the underpin be included in annual benefit statements.

You will, therefore, need to consider how you will obtain the pay information you need to perform an underpin calculation for members who remain, or have remained since 2014<sup>3</sup>, in active service beyond their 2008 Scheme NPA. You will need:

- the member's final pay for the year ending the day before their 2008 Scheme NPA, and
- the member's pensionable pay (main and 50/50) for the period from 1 April to the day before their 2008 Scheme NPA.

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<sup>3</sup> 2015 Scotland and Northern Ireland