

DC Briefing, April 2020 – Coronavirus Job Retention Scheme

On 26 March 2020, Government published guidance on the Coronavirus Job Retention Scheme. This is designed to support employers whose businesses have been severely affected by Covid-19. It is a grant from the Government that does not need to be repaid.

Which employers can claim?

The Coronavirus Job Retention Scheme is available to all UK employers with a UK bank account and a PAYE payroll set up on or before 19 March 2020. The scheme will be available to companies in administration. The scheme started on 1 March and will now run until the end of June.

What can employers claim?

It provides 80% of furloughed employees' Monthly Salary. The amount paid is capped at £2,500 per month, plus employer National Insurance (NI) contributions and employer pension contributions of 3% on reduced earnings between £6,240 and £50,000 for the 2020/21 tax year.

There is a minimum claim period of three weeks and a current maximum of four months, to 30 June. Any payments businesses receive will be treated as income for income and corporation tax purposes.

Which employees are covered?

Individuals with more than one employer can be furloughed for each job, with the cap applying separately. It covers the following employees on the PAYE payroll before 19 March 2020:

- full and part time
- on agency contracts
- on flexible or zero-hour contracts
- leavers and staff made redundant, if rehired
- foreign nationals
- on unpaid leave, if returned to work
- on sick leave or self-isolating (on return)
- transferred after 19 March 2020, where TUPE or PAYE business succession rules apply

Employers do not have to place all employees on furlough, but equality and discrimination laws apply.

Which employees are not eligible?

- Those with reduced working hours or pay
- Those not on your PAYE payroll as at 19 March 2020 and notified to HMRC by RTI submission.

How do companies apply?

Employers should write to their employees to confirm they have been furloughed, send a copy of the letter to HMRC and keep a copy for HMRC audit purposes. They should then submit their claims via an online portal, which went live on 20 April 2020. Employers will need to supply:

- PAYE numbers
- number of employees being furloughed
- claim period – start and end date
- claim amount (per three-week claim period)
- bank account and sort code
- contact name and phone number

Claims can be backdated to 1 March 2020 and will be paid by HMRC via BACS.

Furloughed employees

Furloughed employees can't work for their employer. They can, however, pursue volunteer work or training that doesn't provide services to, or generate revenue for their employer. The national minimum / living wage must be paid for employer-required training.

Employees retain employment rights, e.g. maternity and parental rights, statutory sick pay, redundancy, and protection against unfair dismissal. However, if furlough reduces earnings this may affect statutory maternity, adoption, paternity, and shared parental pay.

Public sector and public sector funded

Public sector organisations are not expected to use the scheme, as many are maintaining essential services. Companies that receive public funding are expected to use this to pay staff.

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Coronavirus Job Retention Scheme

Calculation of Monthly Salary

For staff employed on a non-fluctuating salary, gross monthly salary as at 28 February 2020 should be used – deducting any fees, overtime or bonuses.

For staff with variable pay, wages, historical overtime payments, fees and compulsory commission payments are included. Discretionary bonus (including tips), commission and non-cash payments are excluded. The figure used for those with:

- more than 12 months service, is the greater of the monthly salary in the same month of the previous year, or the average of the monthly earnings from the last year
- fewer than 12 months service, is the average of monthly earnings since starting work

Once the salary claim is confirmed, employers claim the additional employer NI and pension contributions.

Employers can pay employees more than the minimum furlough amount, but must meet this cost.

Workplace pension – ongoing requirements

For Defined Contribution workplace pensions, the Scheme covers the employer minimum pension contribution of 3% of reduced earnings between £6,240 and £50,000 a year for the 2020/21 tax year. Employers can pay pension contributions at a higher rate but must meet this additional cost themselves.

Employees continuing to contribute will pay 5% of qualifying earnings based on their reduced salary.

Employer consultation requirements

Under pension legislation, employers with 50 or more employees must consult with staff before making certain changes. Before any decision to reduce employer pension contributions is made, the minimum consultation period is 60 days.

However, in relation to employees furloughed under the Coronavirus Job Retention Scheme, The Pension Regulator has confirmed it will not take regulatory action for failing to meet this requirement, if:

- the reduced employer pension contribution only affects staff during their furlough period, reverting to the current rate afterwards, or
- the employer has written to affected staff, explaining the proposed changes and the impact on them and the pension scheme.

Salary exchange

If salary exchange, or 'salary sacrifice', is in place, the scheme will make a payment to the employer based on 80% of the actual (post-exchange) salary.

In addition to the minimum employer pension contribution, employers must make a pension contribution equal to the pre-salary exchange member contributions. This is because benefits provided through a salary exchange arrangement must be paid in addition to the wages paid, under the terms of the Coronavirus Job Retention Scheme.

HMRC has confirmed that Covid-19 qualifies as a life event, so employees could opt out if employment contracts are updated. However, this cannot be done retrospectively and as Monthly Salary is calculated at 28 February, this would not increase furloughed pay.

To answer some of the questions this raises the Pensions Regulator provides guidance on salary exchange in their update : [DC pension contributions: COVID-19 technical guidance for large employers.](#)

How First Actuarial can help you

We appreciate that pensions are just one of the critical business issues you are managing. We hope this note is helpful. We would be happy to discuss it further and assist with any issues arising. We would love to work with you develop a pension communication strategy, helping your employees understand their options and supporting them with their financial wellbeing.

For further information please contact your usual First Actuarial consultant, or a member of the DC team, whose details are below.



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