

# Pension Fund Committee

**Dorset County Council**



Date of Meeting	1 March 2016
Officer	Pension Fund Administrator
<b>Subject of Report</b>	<b>Pensions Administration</b>
Executive Summary	<p>This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund. It contains updates on the following:</p> <ul style="list-style-type: none"><li>• Public Sector Pension Reform</li><li>• Procurement of Administration Software</li><li>• Address Tracing and Mortality Screening Service</li><li>• Workflow and Key Performance Indicators</li><li>• LGPS National Insurance Database</li><li>• Backlog</li><li>• Tell Us Once</li></ul>
Impact Assessment:  <i>Please refer to the <a href="#">protocol</a> for writing reports.</i>	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A

	Risk Assessment: N/A
	Other Implications: N/A
Recommendation	It is recommended that the Committee note and comment on the contents of the report.
Reason for Recommendation	To update the Committee on aspects of Pensions Administration
Appendices	<ul style="list-style-type: none"> <li>• Appendix 1 – LGA response to consultation on Exit Payment Recovery Consultation</li> <li>• Appendix 2 - Screening results summary</li> <li>• Appendix 3 - Key Performance Indicators</li> </ul>
Background Papers	<ul style="list-style-type: none"> <li>• The Public Service Pension Scheme (Amendment) (Governance) Regulations 2015</li> <li>• The Pensions Regulator's Code of Practice 14: Governance and Administration of public service pension schemes</li> <li>• The Enterprise Bill</li> <li>• The Small Business, Enterprise and Employment Act 2015</li> <li>• Spending Review and Autumn Statement 2015</li> </ul>
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## 1. Background

- 1.1 This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund.

## 2. Public Sector Pension Reform

### HM Treasury consultation on Public Sector Exit Payment Recovery Regulations

- 2.1 On 20 December 2015 the Government commenced a short consultation on draft regulations that will give effect to the powers enacted in the Small Business, Enterprise and Employment Act 2015, which allow for the recovery of exit payments when a high earner returns to the public sector shortly after exit from their employment.
- 2.2 The Government has modified some elements of the policy since the last public consultation on this topic. These changes include:
- Lowering the minimum earnings threshold for individuals subject to the recovery provisions from £100,000 to £80,000
  - Applying the policy to qualifying returns to any part of the public sector, instead of only returns to the same part of the public sector
  - The recovery amount will be reduced over time for a return at any point up to 12 months from exit
  - LGPS employer strain cost payments are no longer excluded from the definition of the payments to be recovered
- 2.3 The Local Government Association responded to the consultation on 25 January 2016 (Appendix 1). The response outlines their concerns on the revised proposals which have been significantly changed from those originally consulted on in 2014.
- 2.4 The Government plan for the recovery of exit payments to come into effect from April 2016.

### HM Treasury consultation on a Public Sector Exit Cap

- 2.5 A verbal update on the latest position on this issue will be given at the meeting.

### HM Treasury consultation on reforms to public sector exit payments

- 2.6 The Spending Review 2015 announced the Government's intention to consult on cross-public sector action on exit payment terms, to reduce the costs of redundancy pay-outs and ensure greater consistency between workforces.
- 2.7 On 5 February 2016 the Government commenced the consultation that will run until 3 May 2016.
- 2.8 This consultation appears to be the final part of the consultations looking at the reform of public sector exit payments.
- 2.9 The consultation considers options for:
- The setting of a maximum tariff for calculating exit payments at three weeks' pay per year of service
  - Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months

- Setting a maximum salary on which exit payments can be based (£80,000 has been suggested, as per the NHS Scheme)
  - Enabling the amount of lump sum compensation an individual is entitled to receive to be tapered as they get close to the normal pension age or target retirement age of the pension scheme to which they belong, or could belong, in that employment.
  - Reducing the cost of employer-funded pension top up payments, such as limiting the amount of employer funded top ups for early retirement, or removing access to them, and/or increasing the minimum age at which an employee is able to receive an employer funded pension top up.
  - Top up payments made by employers in relation to injury, ill health, physical fitness or death during employment are outside the scope of the consultation
- 2.10 Most of the suggestions, if taken forward could have implications for local government employers, who would be required to reconsider their policies around workforce management and termination policies.
- 2.11 The LGPS regulations will also require amendment to reflect any changes to remove or restrict the current automatic right to LGPS benefits for those being made redundant from age 55.
- 2.12 The consultation document can be viewed at:

<https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments>

### **3. Procurement of Administration Software**

- 3.1 Clarification around the Terms and Conditions and pricing of services under alternative procurement options has been received. The Terms and Conditions now have to be agreed before moving forward.
- 3.2 Officers are working together with the Norfolk and Suffolk Pension Funds, and are being supported by Norfolk procurement and NPLaw for this exercise.

### **4. Address Tracing and Mortality Screening Service**

- 4.1 During the period 1 November 2015 to 31 January 2016, 102 pensioner deaths were identified with a 99.99% high confidence this is our member (validated against the name, date of birth and address). Plus another 23 which matched our member data to a lower degree, so required further verification by Payroll. The detailed data is shown in Appendix 2.

### **5. Workflow and Key Performance Indicator's**

- 5.1 In July 2014, in collaboration with the London Pension's Fund Authority, a new electronic workflow system was introduced in the benefits area called CMS. The team continues to work with the LPFA to improve the reporting capability to more accurately reflect the Fund's timescales and processes.
- 5.2 Appendix 3 shows the top ten KPI's for November to January 2016.
- 5.3 The implementation of the new structure for pensions, the office move and Christmas leave has had a negative impact on performance with only 41.28% of cases completed within the KPI days. However, the number of completed cases increased

by 36.3% as work coming into the section saw a sharp increase. The main obstacle is checking of work done with over 800 cases currently needing to be checked.

- 5.4 Improvements in overall time taken to complete cases were seen in all transfer and retirement cases.
- 5.5 The new structure is now in place and the appointed Team Managers are reviewing all processes and procedures to drive performance and efficiency. They are concentrating on clearing the checking which is reviewed on a daily basis.

## **6. LGPS National Insurance database**

- 6.1 The cost of participation to the Dorset Fund was £200 and was included within the subscription fee to the Local Government Pension Committee.

## **7. Backlog**

- 7.1 A total of 311 cases have been completed in period November to January, but an additional 249 cases that have been identified via an internal audit undertaken by the newly appointed Employer Relationship and Communications Officer.
- 7.2 There are now a total of 1094 outstanding cases, comprising of 1011 aggregation cases (2008 & 2014), 79 deferred benefits and 4 refunds.
- 7.3 There is a schedule in place to clear all pre 2014 backlog cases (combines/refunds/deferred) by 31<sup>st</sup> March 2016.

## **8. Changes to taxation of pensions savings and contracting out**

- 8.1 As reported to the Committee previously contracting out of the secondary state pension ceases in April 2016.
- 8.2 It is proposed that a letter to all active Scheme members be sent out during March 2016 updating them of the change to the LGPS, the increase in National Insurance Contributions that they face and also the changes to the taxation of pension's savings.

## **9. Extension of the 'Tell us once' service to the LGPS**

- 9.1 'Tell us once' is a service that lets people report a death to most government organisations in one go. Until now the service has not extended to occupational pension schemes (including the LGPS).
- 9.2 The Fund was due to commence using this service in January but unfortunately it has been pushed back due to technical difficulties at the DWP. An update from DWP as to when it will be ready for use is expected shortly.

**Richard Bates**  
**Pension Fund Administrator**  
March 2016