

# Pension Fund Committee

Agenda Item:

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**Dorset County Council**



Date of Meeting	1 July 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>• Consultation: Local Government Pension Scheme (Amendment) Regulations 2016</li> <li>• Enterprise Act 2016</li> <li>• Staff and Employer Training</li> <li>• Address Tracing and Mortality Screening Service</li> <li>• Workflow and Key Performance Indicators</li> <li>• Backlog</li> <li>• Valuation 2016</li> </ul>
Impact Assessment:	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 - Key Performance Indicators</li> <li>• Appendix 2 - Mortality Screening results summary</li> </ul>
Background Papers	<ul style="list-style-type: none"> <li>• Consultation: The Local Government Pension Scheme (Amendment) Regulations 2016</li> <li>• Enterprise Act 2016</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. Consultation: Local Government Pension Scheme (Amendment) Regulations 2016

- 2.1 On 27<sup>th</sup> May 2016 the Government issued the Consultation documents for the proposed LGPS regulation amendments. Amendments to LGPS 2014, and LGPS Transitional Provisions 2014, in regard to areas in need of clarity, or change in approach have been proposed, plus changes in Government policies such as Freedom and Choice and Fair Deal. Responses and comments from interested parties on these amendments need to be made by 20th August. The key issues are outlined in the following paragraphs.
- 2.2 Introduction of the 'Fair Deal for Staff Pensions' for LGPS staff compulsorily transferred to independent providers delivering public services. This sets out new requirements for securing pension protection for transferring staff by ensuring they have continued access to their public service pension scheme. There will no longer be the option for the alternative 'broadly comparable' scheme.
- 2.3 In Local Government, there is the Best Value Staff Transfers (Pensions Direction) 2007 which sets out the current level of protection for employees in 'best value authorities' covering staff transferred under TUPE. This will be replaced by the reformed Fair Deal in LGPS.
- 2.4 The consultation also looks at the admitted body status framework, and comments on the following are also invited:
- Staff covered are those eligible for LGPS on compulsory transfer.
  - Fair Deal does not apply to higher and further education institutions.
- 2.5 New terminologies will include, 'Protected Transferee'- the transferred member – who will remain protected so long as that member remains wholly or mainly employed on the delivery of the service or function transferred, and 'Protected Transferee Employer' who is obliged to participate in the LGPS for any 'transferee employees' they receive.
- 2.6 If there was a subsequent transfer on of the service, the transferred employees would retain their protected status. The costs of providing LGPS to transferring staff should be clearly set out in the tender documentation.
- 2.7 More options for using AVC contributions. This is as a result of 'Freedom and Choice' in pensions as introduced by the chancellor. The proposed regulation sets out new options for accessing benefits through AVC arrangements to include one or more lump sums.
- 2.8 Transitional Regulations. Proposal to remove the need for the employer to give their consent to the introduction of preserved benefits for members aged 55-60 (Leavers pre 14 under 2007 regulations). Benefits are actuarially reduced so no cost to fund or employer. This is in response to Pensions Freedom and Choice legislation.

### **3. Enterprise Act 2016**

- 3.1 The Enterprise Bill received Royal Assent in May and is now the Enterprise Act 2016. The Act provides the legislative framework for the introduction of the £95k cap on public service exit payments which, it is expected, will become effective later this year, but no earlier than 1<sup>st</sup> October. HM Treasury regulations which are due to provide further detail on how the cap will work in practice and the implementation date are expected shortly.
- 3.2 HM Treasury directions are also expected providing detail of the circumstances in which the cap may be relaxed by permitted bodies including local authorities in certain circumstances.

### **4. Staff & Employer Training**

- 4.1 The complexities and constantly changing regulations mean that continued updated training and development plans are key to maintaining an efficient and effective service. Thus training is essential for both staff and employers.
- 4.2 The implementation of the new structure has meant that a Training and Development Manager post is now in place. Due to the pressures of the end of financial year and the Actuarial valuation, the post holder has been unable to fully start progressing this. However, it is expected that in the autumn this role will start to develop.
- 4.3 Five members of the team have recently attending LGA training on retirement benefits, four more are booked to attend training on Death and Survivor benefits, and four team members will be attending the forthcoming Insight Residential course in Blackpool in September.
- 4.4 Employers training events have included our 'Employer Workshop', attended by 15 employers, and in addition we have run training for the End of Year Processes. This was run over several days and in locations around the county and was attended by approximately 25 employers.

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

- 5.1 During the period 1 January 2016 to 30 April 2016, 134 pensioner deaths were identified with a 99.99% high confidence that this is our member (validated against the name, date of birth and address). Plus another 35 which matched our member data to a lower degree, so required further verification by Payroll. The detailed data is shown in Appendix 2.

### **6. Workflow and Key Performance Indicators**

- 6.1 Appendix 1 shows the top ten KPI's for the period 1 February 2016 to 30 April 2016.
- 6.2 Compared to the previous quarter they show an improvement in cases completed within the required timescales can be seen, rising from 41.28% in the last quarter to 65.90% in this. Further improvement is expected in the next quarter due to the benefit of changing processes and the effect of vacant posts being filled.
- 6.3 A slight decreases in performance is evident in regard to retirements and refunds paid. This will be investigated and processes reviewed where necessary to ensure this does not happen in future months.

## **7. Backlog**

- 7.1 The backlog of preserved benefits has now been cleared. The remaining 515 cases were cleared in the February to April quarter.
- 7.2 The backlog of Aggregation cases remains and stands at 1675. These have been unable to be processed due to the absence of the 2014 regulations in regard to aggregation and the final salary link. All LGPS administering authorities are affected.
- 7.3 The position in regard to the final salary link was confirmed in January 2015, all authorities continued to put cases on hold awaiting amendments to regulations and further guidance.
- 7.4 Further guidance issued in May 2015 allowed us to proceed with some categories of aggregation, but this is a complex and time consuming technical area. Staff have been trained and training notes exist that have been shared with the South West authorities. The Authorities have met to discuss shared approaches to this work area.
- 7.5 The current LGPS 2016 consultation includes further amendments to the aggregation process, which should simplify some of the most unworkable cases.
- 7.6 Further delays have occurred as a result of the March 2016 budget change to the discount rate. This has resulted in the need for revised transfer factors. These have just been received and we hope they will be in our Altair software system by August allowing us to proceed with the delayed payments of inter-fund aggregation cases.
- 7.7 In addition, as a result of the regulatory confusion over this work area, our Altair software system has been unable to process and accommodate the various types of aggregation cases. This should finally be addressed in the new software release due in August. This backlog area is currently being monitored and categorising the cases to enable us to implement plans to clear these cases once the software is in place.

## **8. Valuation 2016**

- 8.1 The Pensions team is currently processing the employer end of year returns. This is a time consuming, labour intensive process that is especially important this year with the 2016 Valuation data due to be extracted in July.
- 8.2 The employers have been asked to submit their yearly returns in a different format in order to help achieve the deadlines. The employers have been supported and offered training and support by the Employer Relationship and Communication team. Resources within the section have been diverted to this task to enable us to meet the deadlines, and may result in some reduction in performance of the KPIs whilst it is completed.

**Richard Bates**  
**Pension Fund Administrator**  
June 2016