

Pension Fund Committee

Dorset County Council



Date of Meeting	13 September 2017
Officer	Pension Fund Administrator
Subject of Report	Pension Fund Administration
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">• Staff Changes• Altair Member Self-Serve• Overseas Existence Checks• Workflow and Key Performance Indicators• Regulatory Reform Update• Backlog update• 50/50 Option• Annual Benefit Illustrations 2017
Impact Assessment: <i>Please refer to the protocol 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"> • Appendix 1 – Proposed New Management Structure • Appendix 2 – Altair Member Self-Serve • Appendix 3 - Western Union Existence Checks • Appendix 4 - Key Performance Indicators • Appendix 5 – Annual Benefit Illustration 2017 • Appendix 6 – Annual Newsletter 2017
Background Papers	<ul style="list-style-type: none"> • LGPS Regulations 2013 • Small Business, Enterprise and Employment Act 2015
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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. Staff Changes

- 2.1 The Pensions Benefits Manager has recently left after many years with the authority. The opportunity has subsequently arisen to review the management structure of the pension administration team.
- 2.2 The proposed new structure is attached as Appendix 1, and consultations are ongoing with staff to review responsibilities and job descriptions. This small scale restructure is limited to the managers within the section, with the vast majority of staff seeing no changes to their existing roles.

3. Altair Member Self-Serve

- 3.1 Altair Member Self-Serve (MSS) is an internet and intranet based application which enables active scheme members, deferred beneficiaries, pensioners and dependants to access their own information online. A brief overview of the facility is shown in Appendix 2

MSS is highly configurable, enabling us to have the flexibility to tailor a range of options and facilities to members.

- 3.2 Scheme members will have instant access to a range of information and services which include;

- On-line benefit calculations
- View and update personal information and contact details, including
 - Address/Email
 - Nominated beneficiary for death grants
 - Bank details
- Check membership
- View uploaded documents
- Contact the pensions section securely
- Bulk email facility to registered users

- 3.3 Scheme members must complete an initial registration process before they can access the MSS website. This requires the Fund to issue a personal activation key to members and the setting up of an individual account with email address, password and security questions.

A roll out to active members by employer group will be completed over a period of up to five months in order to effectively manage this process.

- 3.4 After the initial registration the user's access to the website is subject to validation of their user name and password.

- 3.5 The initial Licencing Fee is £51,150, with an additional Annual Maintenance Fee of £17,050

- 3.6 Employers were informed of the development via a presentation at the last Pension Liaison Officers Group meeting in July. We hope to complete the roll out to all active members by 31st March 2018.

Pensioner members will be notified at retirement, with those already in receipt of a pension being informed in the annual pensioner newsletter in April 2018.

Deferred members will be notified on leaving and via a newsletter issued with the Annual Benefit Illustrations next year.

4. Overseas Existence Checks

- 4.1 We currently run mortality screening on our UK based pensioners, which is a reliable and successful method of early identification of deceased pensioners and a fraud prevention measure.
- 4.2 However, this service relies on UK death registration data only, and does not address the risk of fraud or overpayment for the approximate 443 members in receipt of a pension living abroad.
- 4.3 Pension payments to overseas bank accounts are paid via Western Union Business Solutions. This company offer a service to verify whether pension payments overseas are being sent to the correct entitled beneficiary.

A process, which involves notifying overseas pensioners that an existence check will be performed, and requiring the beneficiary to report to a Western Union office near to their home, is provided at a cost of £35.00 per member. The member must present valid ID for verification and will receive an incentive payment in local currency equivalent to £10.00.

If the member does not fulfil this requirement, the pension payments are suspended pending further investigation or until the required verification process is complete.

- 4.4 It is planned to commence this process before December this year utilising the complete service offered by Western Union. Their experience in regard to existence checks makes them ideal for this, and mitigates the current evident risk facing the fund in regard to pensions paid to pensioners living overseas.

Western Union will be working with pension payroll staff, and will provide at conclusion a Collection Report to the Fund. If successful, the process will be repeated annually.

- 4.5 A brief overview of the service provided by Western Union is attached at Appendix 3

5. Workflow and Key Performance Indicator's

- 5.1 Appendix 4 shows the top ten KPI's for the period February to July 2017.
- 5.2 Overall performance was recorded as 95.76% of tasks being completed within expected timescales. Whilst this is a slight downturn from the previously reported period, it remains at a constant high standard and I do not see any specific areas of concern. We continue to work towards as near perfect an outcome as possible.

6. Backlog

- 6.1 The backlog of Aggregation cases which is being managed as a separate project within the section has reduced by 438 cases in the period April to August 2017. A total of 797 cases remain.
- 6.2 We continue to work on cases each week, and whilst it feels a frustratingly slow picture, these are particularly time intensive and complex. Our software providers are working on a new facility to assist authorities with this challenging area but this too is proving a difficult task. Timeframes and costs of this new development is not as yet known. Amending regulations designed to lessen the complexity for this cases has been delayed by many months.
- 6.3 I am pleased with the progress made and am reassured that we are in a good position compared to most other authorities in regard to this area of work and am pleased that our software providers are making improvements that should lead to a reduction in the time required to complete cases.

7. Regulatory Reform Update

- 7.1 The general election and resultant minority government has led to a slowdown in planned regulatory reform. Brexit negotiations are an additional distraction and resource intensive.
- 7.2 The LGPC Secretariat understands that there is no intended policy change, but it is now unclear the extent to which pursuing each reform will be a priority for the Government. It is also unclear the implementation timescales the Government plan to adopt for each reform.
- 7.3 Exit payment recovery – draft regulations issued under the Small Business, Enterprise and Employment Act 2015 proposed that where an individual with a salary of £80,000 or more leaves public sector and returns within 12 months, they will be required to pay back some or all of the exit payments (including strain cost) received.

If and when issued the regulations will be overriding meaning that it will not be necessary to amend the LGPS regulations for exit payment recovery to have effect.

- 7.4 Exit Cap – On leaving public sector employment, the total exit payments that an employer can make in respect of that exit will be capped at £95k, this includes the pension strain costs.

Subject to the Government proceeding with its plans, it is expected that further consultations on how the cap will work in practice will be needed.

Once final Treasury regulations are laid they will enact the relevant parts of the Enterprise Act 2016 which will amend the LGPS regulations. Guidance is also expected on when the cap can be waived.

- 7.5 Exit payments further reform – proposals looking at the overall severance packages payable from public sector bodies are expected following a consultation. The formal response from HM Treasury in September 2016 set out the broad criteria within which they expect departments to reform the exit packages of their workforce.

Subject to the Government proceeding with its plans in this area we expect DCLG to publish a consultation on the proposed consultation for local government.

- 7.6 In addition to the Exit payment reform updates above, we have been expecting for a long time, changes to the LGPS regulations which include amendments to Local Government Fair Deal/TUPE transfers, Flexible access to AVCs, access to deferred benefits which ceased prior to 2014 from age 55 and changes to how aggregation cases in certain circumstances can be dealt with.

8. 50/50 Option

- 8.1 On 6 April the LGPC launched a survey placed on the LGPS member website regarding 50/50 section. This was set up on request of the SAB which, as part of the scheme cost management, is looking at the reasons why there is such a low take up.
- 8.2 Initial assumptions by those involved in the 2014 scheme design, was a 10% take up of the 50/50 option. The recent valuation shows take up to be much lower than this. In the Dorset Fund, take up is around 0.50% and this reflects the national trend.
- 8.3 It has also become clear that the 50/50 option is being utilised by high earners to reduce pension accrual and subsequent tax charges. Consideration is being given to whether this should be prevented. This was not the original intention for this facility which was aimed at those on a low income who would otherwise opt out of the scheme.
- 8.4 In Dorset we are ensuring that our Opt Out forms clearly mention the 50/50 section, and staff members are trained to inform members of this alternative option.

9. Annual Benefit Illustrations 2017

- 9.1 The Annual Benefit Illustrations (ABIs) for active and deferred members were dispatched this year within the regulatory timescale. A copy of the illustration for active members, and the annual newsletter that we enclosed with this, is attached as Appendix 5 and 6.
- 9.3 A total of 23,384 illustrations have been issued to active scheme members, and 18,430 to members with deferred scheme benefits.
- 9.2 The complete cost of producing and posting the illustration is £0.53 per illustration. The ABIs are well received by members and form the most important part of our member communications.
- 9.3 In future, consideration is being given to phase the paper version out and replace with electronic versions only.