

# Pension Fund Committee

**Dorset County Council**



Date of Meeting	23 November 2017
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>• Staffing Update</li><li>• Data Quality Reports</li><li>• GMP &amp; Contracted Out Reconciliation</li><li>• Overseas Existence Checks - update</li><li>• Workflow and Key Performance Indicators</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: <a href="#">N/A</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 – Common Data Quality Report</li> <li>• Appendix 2 – Conditional Data Quality Report</li> <li>• Appendix 3 - GMP Reconciliation; Progress Report</li> <li>• Appendix 4 – Key Performance Indicators</li> </ul>
Background Papers	<ul style="list-style-type: none"> <li>• LGPS Regulations 2013</li> <li>• Small Business, Enterprise and Employment Act 2015</li> </ul>
Report Originator and Contact	<p>Name: Karen Gibson</p> <p>Tel: 01305 228524</p> <p>Email: <a href="mailto:k.p.gibson@dorsetcc.gov.uk">k.p.gibson@dorsetcc.gov.uk</a></p>

## **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. Staffing Update**

- 2.1 It is with great sadness that I have to report the sudden loss of a much valued member of the team, Hannah Richardson, who was killed in a car accident in October. Hannah had been with the pension's team for over 14 years, and was one of our most experienced managers. The impact on the team has been substantial, with both the personal loss of a popular colleague, and also the loss of such an experienced and valuable member of staff.
- 2.2 Temporary staff moves and changes have been employed to deal with the most urgent needs of the team and the long term will be addressed in due course.

## **3. Data Quality Report**

- 3.1 In June 2010 the Pension Regulator (TPR) issued guidance on the approach that they consider to be good practice for measuring member data. Specific targets were set for data deemed as 'common' and guidance outlined for 'conditional' data dependant on the individual scheme.
- 3.2 Pension Scheme Trustees must ensure that 'reasonable endeavours' are undertaken to provide evidence of assessment and measurement as well as ensuring an appropriate action plan for improvement is in place.
- 3.3 The Dorset County Pension Fund has commissioned Aquilla Heywood's Data Quality service to assist with this task. The first year's assessment is now complete and following a process of testing and reviewing our data we have been provided with reports detailing accuracy and associated risk levels. This has enabled us to develop an improvement plan targeting the highest risk areas first.
- 3.4 These reports are attached as Appendix 1 and 2. We have currently signed up for a three year programme, with one full report provided each year. This will enable us to report on the quality of our data moving forward, improvements made and evidence compliance with COP 14.
- 3.5 Appendix 1 refers to the Common data items held. There are 8 categories in all, each containing several data items, and measures are made against agreed scheme benchmarks. 7 of the 8 categories met the highest benchmark of greater than 98% with 3 categories not recording a single failure. The sole category that did not reach the highest benchmark concerned member addresses, which fell within the amber benchmark at 92.1%. With this one exception, the general quality of data held at DCPF is of a high standard.
- 3.6 The number of addresses on record for active members however is very good, and where gaps are identified can be easily remedied. The majority of missing addresses are in respect of deferred and pensioner members. We currently only trace deferred members near to retirement and consider this a reasonable approach due to the cost involved. Pensioner records are not routinely updated from payroll, and this can be achieved as part of our improvement process.
- 3.7 Appendix 2 is a summary of Conditional Data Results for each data category against agreed scheme benchmarks divided into five areas.

- 3.8 The area showing least accuracy of data in the Conditional requirements was in regard to the recording of transfers in. This did not necessarily mean that service credits had been recorded inaccurately, thereby affecting member benefits, but that associated data had not been recorded, for example, fields containing the earliest contracted out start date or previous scheme name.
- 3.9 Other areas that are showing as potential for concern are Contributions Total and Contracting Out Data. Two fields within this group are potentially unnecessary, and I am currently investigating if they should be included, and two other areas are being addressed as part of the Contracted Out/GMP Reconciliation exercise.
- 3.10 A ten month programme of data improvement has been developed and will be managed by our Systems Manager; the PFC and Local Pension Board will receive regular updates.

#### **4. GMP & Contracted Out Reconciliation**

- 4.1 HM Treasury requires all Contracted Out pension schemes across the country to reconcile both the Contracted Out membership dates and amounts of Guaranteed Minimum Pension (GMP). The exercise, potentially affecting over 60,000 members in the Dorset County Pension Fund, must be completed by 31 December when HMRC will cease to answer any queries in regard to Contracting Out and GMP.
- 4.2 We have been very fortunate in appointing an excellent lead for this Project, Lisa Dredge, together with several temporary staff. During her time as lead, she has made good progress with the project. However due to the loss of Hannah Richardson we have had to move Lisa Dredge from managing this project to oversee Hannah's technical team. Rebecca Shepard is now taking the lead on this project and we have appointed a full time temporary member of staff to assist Rebecca with this project moving forward. We are still on track to complete the project by 31<sup>st</sup> December 2018.
- 4.3 A potential issue that may affect completion is in regard to HMRC who are struggling to respond to the regular queries presented to them within agreed time scales. Huge delays in the response times have occurred with HMRC struggling to cope. Despite this, HMRC have stated that the original timescales will stand.
- 4.4 Further challenges we face in completing this project are the poor quality of data held by HMRC, inadequate support from HMRC, lack of agreement nationally in relation to some details and poor communication from HMRC.
- 4.5 The risk is that the Dorset County Pension Fund could end up with liabilities it should not have, and additionally that we may be over-paying pensions. The Fund should also be aware that the government's proposal to end the separation, and non or partial indexation of GMP amounts for pensioners over state pension age will incur increased costs to the fund long term that have not been accounted for previously in Fund Valuations.
- Representations to Treasury from the LGA have been made in order to secure promises relating to this funding gap. As the only Public Sector pension scheme that is funded, this is a specific issue for the LGPS.
- 4.6 A summary of progress is attached at Appendix 3

## **5. Overseas Existence Checks**

- 5.1 We have commissioned Western Union to run Existence Checks on our overseas pensioners who are currently not covered by our standard monthly mortality checks. The first stage of this project will commence on 24<sup>th</sup> November with an initial letter to each pensioner living overseas who can be included in the exercise.
- 5.2 A proximity Report has shown 13 pensioners cannot be included in the standard process. This includes 9 members living in South Africa, a country not covered by Western Union Offices, and four children's pensions who cannot present the necessary ID. These pensioners will be addressed separately by direct communication from the pension's team.

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

- 6.1 The Aggregation project has been put on hold during a large part of recent months due to the demands of producing the Annual Benefit Illustrations and Annual Allowance checks. It will continue to be suspended in the short term due to the staffing shortages caused by the loss of Hannah, and the failure to recruit to team vacancies.
- 6.2 Despite this, 137 cases have been cleared. We intend to resume the project as soon as we reasonably can.
- 6.3 KPI reports for the period August to October are attached at Annexe 4.

## **7. Annual Allowance checks**

- 7.1 The Annual Allowance checks were completed by the deadline of 5<sup>th</sup> October. Increasing numbers of members have incurred a charge with an increase from previous years of approximately 5 charges per year to 12 for 2016/17. The processes involved are extremely time consuming and complex for staff and members.
- 7.3 The new Tapered Annual Allowance will affect at least six members across the fund. This is particularly challenging for members to understand.
- 7.2 I continue to be concerned about the methodology employed for calculating the Annual Allowance within Defined Benefit schemes, and that members can be caught simply for having a promotion, even when their earnings are not particularly high. This could potentially have a negative impact on the appointment of the most senior officers.

**Richard Bates**  
**Pension Fund Administrator**  
**November 2017**