

Pension Fund Committee

Dorset County Council



Date of Meeting	28 February 2018
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">• Abatement Policy Change• Overseas Existence Checks - update• Whole Fund Tracing• Academies & LGPS Engagement• GDPR• Pension Considerations for LGR• Workflow and Key Performance Indicators
Impact Assessment:	Equalities Impact Assessment: N/A
<i>Please refer to the protocol for writing reports.</i>	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 – Administering Authority Discretions • Appendix 2 – Abatement Policy Proposed Amendments • Appendix 3 – Quarterly KPIs (Nov 17 – Jan 18)
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. Abatement Policy Review

- 2.1 Dorset County Pension Fund (DCPF) is required to publish and review a policy in regard to discretions and decisions for which it has responsibility under the Local Government Pension Scheme (LGPS). The current policy is attached as Appendix 1.
- 2.2 One such discretion refers to the discretionary powers to put in place an abatement policy for members re-employed within any employment subject to the LGPS. Abatement can only apply to benefits accrued prior to 1 April 2014 as this discretionary power was removed from the LGPS 2014 regulations.
- 2.3 It is proposed that abatement will cease in every case except where enhanced benefits have been paid to the member as a result of the award of ill health retirement. This will include both the award of additional pension/service, and/or the benefit gained from unreduced benefits.
- 2.4 The previous policy included abatement where the member had benefitted from unreduced pension as a result of retirement on the grounds of redundancy or efficiency of the service. Such retirements are cost neutral to the Fund as the former employer would have been required to pay the appropriate strain costs to the fund.
- 2.5 The committee may wish to consider the potential of public perception in regard to this policy change. However, there is no detrimental impact to the Fund and so the public purse. Additionally, the policy amendment gives employers greater choice in regard to the potential to source workforce skills that may otherwise be prevented.
- 2.6 Some pensioners may be in receipt of a pension enhanced by Compensatory Added Years. Such an award would have been made by the former employer to compensate for early retirement and the potential loss of future pension accrual. Such pensions may be abated as a result of re-employment in accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation)(England and Wales) Regulations 222 (as amended). This is not part of the discretionary powers available to administering authorities and will continue to apply.
- 2.7 A summary of the proposed amendments is attached at appendix 2.

3. Update on Overseas Existence Checks

- 3.1 The joint working project with Western Union, running Existence Checks on our overseas pensioners, is nearing completion. Of the 403 pensioners we have living overseas, to date 376 have been successfully verified.
- 3.2 No responses have been received from 27 pensioner members living in various countries. Western Union will be issuing a final letter, informing these members that their pensions will be suspended from 1 March 2018. In addition, staff within the pensions section are endeavouring to contact these members by email where possible.

- 3.3 Every endeavour has been taken to avoid suspending pensions but, if we have not received the necessary confirmation by 14th March no pension payment will be made for this month. I anticipate that this will prompt contact, and hopefully a speedy resolution. It is also possible that some pensions will remain suspended going forward.
- 3.4 A further and final report will be available later in the year to review the final outcome of this exercise.

4. 2018 Focus Areas for the Administration Team

- 4.1 With a continued and increased focus on data quality, the Fund is looking to employ the services of external provider for **whole fund tracing**. This checks that addresses for pensioners are current and accurate. This is especially important as payslips are now only issued when the net pension payment differs by more than £5 each month. The TPR requires current addresses to be held as part of its common data requirements.
- 4.2 A second and more sizable aspect to this exercise is to trace members with deferred benefits for whom no current address at all is held. This includes mortality checks and the provision of a current address. This would enable us to make contact, verify identity and ensure we are then able to meet the regulatory requirement of providing an annual benefit statement. We currently have 4221 deferred benefit records with no address on record.
- 4.3 This is especially well timed with the launch of Member Self-Serve this year. We hope that overall this will evidence our programme to improve the quality of our data and our compliance with The Pension Regulator's Code of Practice 14 which applies to Governance and administration of public service pension schemes.
- 4.4 The administration team has encountered numerous difficulties with **Academies and their responsibilities in regard to the LGPS**. This includes a lack of understanding of the benefit provisions, outsourcing and TUPE protections for staff, Employer Discretions and their role in regard to the Internal Dispute Resolution Procedure.
- 4.5 We will be holding employer training sessions in June aimed specifically at academies and schools, and will be continuing to increase employer engagement and support.
- 4.6 The **General Data Protection Regulations** are coming into force in May 2018. The regulations enhance and add to the responsibilities currently covered under the Data Protection Act 1998.
- 4.7 As pension administrators we will have numerous additional requirements to ensure are in place or planned for. This is a high-risk area with the potential for substantial fines where breaches occur. In order to ensure we are compliant with these regulations we have secured the services of Osborne Clarke to carry out a data audit and to advise us on actions we must take.

- 4.8 The service provided by Osborne Clarke includes training for Board members and this will be arranged, and dates advised once confirmed.

5. Pension Considerations for LGR

- 5.1 As plans continue within Dorset to prepare for Local Government Reorganisation, both employers and the pensions administration section must consider the pension implications.
- 5.2 Approximately 17,000 members will transfer to a new employer, under TUPE arrangements. This gives those members the right to a new 'transfer window' (the right to transfer in previous pension rights), and the right to keep separate benefits with their former/new employer, or draw their pension if aged over 55. Auto-Enrolment regulations will also mean that currently opted out members must be brought into the LGPS.
- 5.3 Requests for estimates from employers and members will increase, and members will need suitable communication to reassure them in regard to their pensions. In addition, each member's record will need updating to the new employer and we will be asking our software provider for assistance in regard to this.
- 5.4 As each employer involved will have separate discretionary policies in regard to the LGPS, these will need to be harmonised. The Interim Pensions Manager will be involved in helping achieve this and will be working with the new organisations to provide effective, joined up communications to cover all aspects for affected staff.
- 5.5 Once the new employers have been established and members moved accordingly, the actuaries will need to re-allocate funds and assess the new employer contribution rates. The issue of historic deficits must also be considered.

6. Key Performance Indicators and work back logs

- 6.1 The Key Performance Indicators for the period November 2017 to January 2018 are attached at Appendix 3 and reflect the very positive achievements of the section.
- 6.2 One area of work remains a challenge for the section, as it does for all administering authorities. This is the long standing issue of Aggregation backlogs. A new approach and dedicated resource has been diverted to this area which has approximately 3000 cases needing attention.
- 6.3 The new project and processes have been in place since 1 February 2018 and good progress can already be seen with 178 cases cleared.

Richard Bates
Pension Fund Administrator
February 2018