Pension Fund Committee

Dorset County Council

Date of Meeting	21 June 2018
Officer	Pension Fund Administrator
Subject of Report	**Pension Fund Administration**
Executive Summary	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: • GDPR • LGPS (Amendment) Regulations 2018 • Overseas Existence Checks – project close • Workflow and Key Performance Indicators
Impact Assessment: *Please refer to the protocol for writing reports.*	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	• Appendix 1 – DCPF GDPR Compliance Record • Appendix 2 – DCPF Privacy Notice • Appendix 3 - DCPF Fund Data Protection Policy • Appendix 4 – Bulletin 171 Summary of Changes • Appendix 5 – Exit Credits Briefing Note • Appendix 6 - Quarterly KPIs (Feb 18 – April 18)
Background Papers	• LGPS Regulations 2013 • LGPS (Amendment) Regulations 2018 • GDPR Regulations
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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. General Data Protection Regulations

2.1 As of the 25th May 2018 the General Data Protection Regulations will come into effect and will replace the current Data Protection Act 1998. The GDPR will be the acknowledged framework for all organisations operating within the EU. The new regulations include some significant changes to the previous data protection laws, and have the potential for profound impact on pension scheme administrators and trustees.

2.2 This is of particular importance to the Administering Authority, the administration team, and the Local Pension Board and Pension Fund Committee who will want to understand the implications for the team, and ensure compliance with the regulations.

2.3 Pension Schemes collect, process and store large amounts of personal data. Compliance with GDPR supports the Administering Authorities' relationship with scheme members, and helps to ensure high standards of data quality. Failure to comply carries the risk of:

- Regulatory intervention
- Regulatory fine for non-compliance, the level of fines that can now be imposed has been increased substantially
- Claims for compensation from Data Subjects
- Adverse publicity and reputational damage
- Loss of trust from scheme members and an increase of complaints
- Criminal liability under the Data Protection Bill

2.4 The Dorset Pension Fund has commissioned Osborne Clarke, the Fund's legal advisors, to assist us in preparing for these changes and ensuring compliance. A summary of their findings and recommendations, is attached as Appendix 1. This document helps us to prioritise actions and monitor progress in regard to achieving full compliance.

2.5 Work is underway to address areas in need of change in how we work and our approach to data protection and privacy. This includes;

- Publishing of a Privacy Notice on the DCPF website (Appendix 2)
- Finalising of the DCPF Data Protection Policy (Appendix 3)
- The issuing of a Memorandum of Understanding to the Fund's employers
- Review of contracts with external suppliers to ensure GDPR compliance.

A programme of work is in place to ensure the Fund meets its obligations and is fully compliant with the new regulations.

2.6 In addition to the work in progress with Osborne Clarke, the DCPF is working with Dorset County Council and its programme toward whole authority GDPR compliance. This includes the completion of training for all staff and the Risk Assets Register which is a requirement for all work areas within the authority.

An important aspect of the role of senior officers, Board and Pension Fund Committee members is understanding the requirements of this new legislation, and training events are available for this purpose. Members of the Local Pension Board should endeavour to attend suitable training and record this on the LPB Training record.

3. Overseas Existence Checks – Project Close

3.1 The existence check project for our overseas pensioners is now complete. This project was run in conjunction with Western Union and cost the DCPF £14,455.

3.2 In total 19 pensions were suspended as a result of existence not being confirmed. Of these, 10 pensioners have subsequently contacted us, their existence verified and pension payments re-instated. This has left 9 pensions suspended, with a total annual value of £24,871.68. The highest value of pension suspended is £12,446, the average value is £2,763.52.

3.3 The locations of pensions suspended is spread over 8 countries, so we feel fairly confident that correspondence reached the intended destination. Every endeavour was taken to avoid suspending pensions, and the team employed a variety of means to make contact. It is unlikely that we will be able to establish what has happened to these pensioners, it is possible that some may yet make contact.

3.4 This process has been a success and it is proposed that it is repeated every three years. We will though look for a less expensive way of doing this as we anticipate the savings in future years to be less.

4. Local Government Pension Scheme (Amendment) Regulations 2018

4.1 On 27th May 2016, the Ministry for Housing, Communities and Local Government (MHCLG) opened a consultation on proposed changes to the LGPS in England and Wales. On 19th April 2018, the LGPS Amendment) Regulations 2018 were laid before Parliament. These regulations came into force on 14th May 2018 with the provisions in 1(3) only having effect from 1 April 2014. MHCLG responded to the consultation the same day.

The regulations amend the LPS Regulations 2013 [SI 20113/2356] And the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 [SI 2014/525].

4.2 LGPS administering authorities must communicate the changes to scheme members, as required under regulation 8 and Part 1 of Schedule 2of the Occupational and Personal Pension Schemes (Disclosure of Information Regulations) regulations 2013 (SI 2013/2734]. Communication of the changes must take place as soon as possible, and in any event, within three months of the date of change.

Full details of the changes are detailed in Appendix 4, the vast majority of changes address smaller items of clarity to terminologies, or to the regulations, and as such do not have a significant impact to the administering authority. Items of specific interest and significance are detailed below.

4.3 The most significant change is in regard to deferred members who left their employment prior to April 2014. Such members could only previously access their pension from age 60. The new regulations allow access to deferred pensions for these members from age 55, bringing them into line with the rights of deferred members who left their employment after April 2014.

The amendment regulations change the LGPS (Transitional Provisions, Savings and Amendment Regulations 2014, and affect members covered by the 1995 Regulations, the 1997 Regulations (including deferred councillor members and Pension Credit Members), and the 2007 Regulations.

4.4 The regulatory intention is that all deferred members will now be able to access their pension from age 55. All pensions drawn before the member's Normal Pension Age (NPA) will result in a reduction to the benefits paid, and the necessary Secretary of State guidance is already in place to enable us to do this (Early payment of pension – 18 April 2016).

Because of this anticipated change, our software providers were able to update our system very quickly to accommodate these regulations.

4.5 However, the LGPS regulations are rarely straightforward, and these amendment regulations are no exception. Each category of deferred member, defined either by the date they left the scheme, or by status, i.e. Councillor member or Pension Credit Member, has a different Normal Pension Age (NPA), and the remaining regulations affecting the NPA continue to exist unchanged. This will specifically affect the calculation of the NPA where affected by any residual protections, for example those covering benefits accrued prior to April 2008 under the now defunct 'Rule of 85'.

4.6 In addition there is a further unintended consequence that affects deferred members who have already attained age 55 on 14th May 2018 and who left the scheme prior to 1 April 1998. This specific group previously only had the option to draw their benefits early at age 60, or, if they chose not to do this, then the benefits were paid at the members NRD. No flexibility for access applied to the period in between. This matter has been raised with MHCLG and it is understood that whilst unintentional, further regulatory changes would be required to address this, which is unlikely in the short term.

4.7 The new regulations do not make reference to the necessary amendment of employer and Administering Authority discretionary policies necessary for implementation. This matter has been raised with Ministry of Housing, Communities and Local Government (MGCLG) by the LGA.

4.8 Secretary of State guidance covering the application of a pension credit will need amending to take account of these changes.

4.9 The end result of this regulatory change is a complex picture for the different categories of deferred members in the LGPS. We are in the process of compiling a fact sheet to assist members in understanding when they can start to draw their pension and how the actuarial reductions will apply. The administration section is also reviewing its communications and processes to accommodate these new changes.

4.10 It is our intention to notify deferred members of this change via a newsletter issued with the Annual Benefit Illustrations for this year. The Fund's website will also be updated. However, there does remain some areas of confusion where further clarity is needed and discussion between authorities and the LGA are taking place so that we can be clear what can and cannot be done.

4.11 The regulations additionally provide for the payment of an exit credit by the appropriate Administering Authority to an exiting employer. This situation would occur where an exiting employer's liabilities are fully funded and there is a surplus of assets in the pension fund. Previously the regulations did not allow such a payment and any surplus funds would remain in the fund.

The Funds Actuary's, Barnett Waddingham, have prepared a briefing note which is attached at Appendix 5.

Historically the fund has not had a robust process in place to ensure exiting employers are identified and cessation valuations commissioned. This matter has now been addressed, and we currently have 9 cessation valuations being processed and a further 6 due to be carried out.

5. Key Performance Indicators and work back logs

5.1 The Key Performance Indicators for the period February 2018 to April 2018 are attached at Appendix 6 and reflect the continued positive achievements of the section.

5.2 The Aggregation back log work has made excellent progress with 951 cases cleared and 2249 remaining. This is a complex work area with only an average of 14.8 cases cleared each working day with a team of four.

We continuously review our processes to ensure maximum efficiency and software updates due in the late summer should enable this work to be processed quicker.

The administration team has suffered a number of staffing losses which will have a direct impact on this work and the team will be reduced over the coming months. We will be looking at potential additional resources to assist the team and ensure continued progress. This work area remains one of our biggest administrative challenges.

Richard Bates
Pension Fund Administrator
June 2018