

Pension Fund Committee

Dorset County Council



Date of Meeting	17 September 2018
Officer	Pension Fund Administrator
Subject of Report	Pensions 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">• Exit Credits• Risk Register• Annual Benefit Illustrations 2018• Member Self -Serve• Pension Scams• Workflow and Key Performance Indicators
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 – Briefing paper, Examining Exit Credits • Appendix 2 – Dorset Pension Fund Risk Register • Appendix 3 - Active Member ABI 2018 • Appendix 4 – Newsletter 2018 • Appendix 5 – Pension Scams - JLT Briefing note • Appendix 6 - Quarterly KPIs (May 18 – July 18)
Background Papers	<ul style="list-style-type: none"> • LGPS Regulations 2013 • LGPS (Amendment) Regulations 2018
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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. Exit Credits

2.1 The new Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018, which came into force on 14 May 2018, introduced the requirement of Funds to pay an 'Exit Credit' to employers if a surplus is identified in a cessation valuation. A briefing note is attached at Appendix 1.

2.2 This was a significant change to Regulation 64 which addresses the circumstances where revised actuarial valuations and certificates are to be obtained. Discussion continue nationally, and with our legal advisors and actuaries, about the potential impact, and practical implications, of this.

Key issues and areas for further consideration and discussion are outlined below.

2.3 There is the potential for these regulations to impact the Fund if large surpluses exist. I have asked Barnett Waddingham to look at the 2016 Valuation results to identify employers with surpluses. It is estimated that about nine employers are in a surplus position currently, with three of these having less than 5 active members, so there is a risk that cessation could be triggered soon. Amounts of the surplus vary considerably. Once more detail is received from the actuary, further analysis will be done and any concerns addressed.

2.4 The second issue concerns employers where some sort of financial guarantee is in place for an admitted body. The new regulations state that the surplus must be returned to the employer. But the question has been raised as to whether an agreement should be made to return any surplus to the employer who offered the guarantee.

Future admission agreements and financial contractual arrangements, can cover at the outset the matter of how surplus funds, should they exist at cessation, are dealt with whilst still acting within the regulations that require an Exit Credit to be paid to the exiting employer, and not any other party.

The question of whether to look at existing financial contracts, where guarantees are in place, can be considered once the position of current surplus employers is established.

It remains important that exit payments and exit credits should be dealt with on a case by case basis as and when they arise, and a blanket policy approach should be avoided.

2.5 The other connected issue is in regard to our Funding Strategy Statement, which needs to be changed in light of this amendment. This would not be anything substantial, and Barnett Waddingham are happy to prepare a new draft for us.

3. Dorset Pension Fund Administration and Governance Risk Register

3.1 The Risk Register, please see Appendix 2, is a tool used to effectively identify, prioritise, manage and monitor risks associated with the Governance and Administration of the Dorset County Pension Fund. The financial risks associated with the Fund's investments are contained in a separate document.

3.2 This assists the Fund by;

- identifying risks and the level of potential impact
- providing a systematic approach for managing risks
- implementing effective and efficient control
- identifying responsibilities
- identifying risks at the planning stage and monitoring the risks
- helping the Fund and Local Pension Board achieve its objectives

3.3 Consideration and approval for this is sought, together with feedback regarding any areas that can be highlighted as requiring further detail or investigation. The Risk register will be a standing item on the agenda for the Local Pension Board and Pension Fund Committee moving forward.

4. Annual Benefit Illustrations 2018

4.1 The Fund has a statutory duty to issue Annual Benefit Illustrations to all members by 31st August each year. I am pleased to report the bulk of the Illustrations for active member, totalling 22,493, were issued on 20th August.

4.2 Issues with data provided by one large employer has resulted in 1799 illustrations not being issued within the statutory deadline. We are working with this particular employer to offer support and assistance in order to ensure data is accurate and illustrations can be issued. The Pensions Regulator will be notified once the dispatch date is confirmed.

4.3 Just over 300 illustrations will be issued late because no address was held, (these will be sent separately via the employer), and a number of 're-runs', due to incorrect or missing data. Where illustrations are not issued on time, the Fund must self-report to the Pensions Regulator. This will be done once final figures and dispatch dates are known. As the numbers involved, and the delay time, are both small this is not likely to be a concern to the Regulator but should be considered as be good practice.

4.4 A copy of this year's active member Annual Benefit Illustration is attached at Appendix 3, together with the annual newsletter sent with the illustrations at Appendix 4.

4.5 Annual Benefit Statements, totalling 18,577 were issued to deferred members of the scheme in June 2018.

5. Member Self-Serve Facility

5.1 Activation keys, which enable members to log onto the new Member Self-Serve (MSS) Facility, have now been issued to 22,702 active scheme members, and 18,577 deferred members. Currently approximately 24% of these members have successfully registered.

5.2 The Member Self-Serve communications have resulted in a dramatic increase to the number of enquiries to the section, with over 2000 emails alone sent as a result of direct enquiries to the MSS email in-box. This is in addition to large increases in the number of telephone calls to our helpline, and emails to our general email helpline number. This result demonstrates that more members are engaging with us about

their pension which will result in better data quality and general awareness and understanding of pension savings.

6. Pension Scams

- 6.1 The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA) have joined forces to launch a new campaign urging people to be aware of scammers targeting pension savings. As part of this new initiative, it was revealed that on average, £91,000 was lost per victim in 2017. Further information is attached at Appendix 5.
- 6.2 The 'ScamSmart' advertising campaign targets savers between the ages of 45 and 65, which is the most at-risk group. It follows a recent Ombudsman determination where it was held that the administrator of a scheme had failed to take sufficient steps to protect a member from a pensions scam. In that case, the administrator was directed to reinstate the members accrued benefits.
- 6.3 To avoid complaints, reputational damage, potential scheme sanction tax charges and to provide protection to members, the administration section has taken a number of steps to ensure we have done as much as possible to communicate and educate members. This includes new procedures when providing transfer values where concerns are raised, communications via the annual newsletter and specific letters to members, which include information from the FCA. A member declaration has been created to confirm they have read the information provided and taken appropriate financial advice.
- 6.4 This has not been a serious or large issue to date within the Dorset County Pension Fund. However, staff have been advised on actions to take, which includes reporting cases to the Pensions Manager, where they have concerns.

7. Key Performance Indicators and work backlogs

- 7.1 The Key Performance Indicators for the period May 2018 to July 2018 are attached at Appendix 6 and reflect the continued positive achievements of the section. This represents the ten key areas for the section, but does not include all of the work areas completed.
- 7.2 The Aggregation backlog work was stalled during the busy period of June and July, whilst resources were focused on completing the end of year work essential to the dispatch of the annual benefit illustrations and the posting of earned pension for the 2017/18 tax year.

During May, June and July 463 further cases were completed, with 1954 cases remaining.

Richard Bates
Pension Fund Administrator
September 2018