

Pension Fund Committee

Dorset County Council



Date of Meeting	22 November 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">• MHCLG policy consultation on technical amendments to the LGPS Regulations• Data Improvement Plan• Update - Annual Allowance 2018• 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	<p>That the Committee:</p> <ol style="list-style-type: none"> i. Note and comment on the contents of the report. ii. Approve the proposed response to the consultation regarding early access to benefits for deferred members of the 1995 scheme. iii. Approve the Data Improvement Plan.
Reason for Recommendation	To update the Committee on aspects of Pensions Administration
Appendices	<ul style="list-style-type: none"> • Appendix 1 – Consultation LGPS Technical amendments • Appendix 2 – DCPF Common Data Quality Reports • Appendix 3 – DCPF Conditional Data Quality Report • Appendix 4 - DCPF Data Improvement Plan • Appendix 5 - Quarterly KPIs (August 18 – October 18)
Background Papers	<ul style="list-style-type: none"> • LGPS Regulations 2013 • https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/745340/Local_Government_Pension_Scheme_-_Technical_Amendments_to_Benefits.pdf
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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. MHCLG policy consultation on technical amendments to the LGPS Regulations

2.1 MHCLG have opened an eight week policy consultation called 'LGPS: technical amendments to benefits', prompted primarily by recent legal judgements including the Supreme Court decisions last year in Walker v Innospec and Brewster. The policy consultation looks at three areas which are detailed below, the relevant document is attached as Appendix 1.

2.2 **Survivor Benefits** – following the successful legal challenge in the case of Walker v Innospec, the Government has decided that all public service pension schemes should implement changes to provide survivors of registered civil partners or same-sex marriage with benefits that replicate those to which a widow of a male member would be due. These changes will be implemented in the LGPS as though they had applied from the date of the civil partnership or same-sex marriage.

2.3 Prior to this judgement, pension schemes had been able to make use of a provision within the Equalities Act 2010 which allowed service accrued prior to 5 December 2005 to be disregarded in calculating the pension entitlement of a surviving civil partner or same-sex spouse.

2.4 Current LGPS regulations provide equal benefits for surviving partners in a civil partnership or same sex marriage of either sex, to those awarded to widowers. However, earlier regulations provided benefits based only on membership back to 1988. This will mean that LGPS administering authorities will need to revisit all awards previously made and pay any additional sums that may be due.

2.5 Interestingly there does remain differential treatment between widows and widowers in terms of benefits and this has been held as lawful by the Supreme Court in a long line of cases. The European Court of Justice judgement in Barber required schemes to provide equal survivor benefits for males who survive their female spouse in relation to service from May 1990 only. The LGPS meets this requirement, but it is not proposed at this point to equalise benefits for all males who survive their female spouse on the same basis as they are provided to females who survive their male spouse. The cost of doing this would be significant -in the region of £2.8bn across the different public sector schemes. Previous consultations on these issues have been conducted, with no final decisions made, the Government will respond on this matter separately in due course.

2.6 **Power to issue statutory guidance** – following successful legal challenges in the Brewster and Elmes V Essex cases, MHCLG wrote to funds asking them to review cases where non-award of a cohabiting partners pension may now be reversed considering these judgements. As a result of this, a further issue arose regarding the rights of children who were in receipt of a pension as these rights would be affected by changed rules allowing for payment of a cohabiting partner's pension.

2.7 MHCLG set out its views regarding the implications of this case in a letter dated 17 August 2017. However, that letter recognised that the Department's view had no legal force

as the Secretary of State had no power to issue statutory guidance in this area. It would therefore be possible for different funds to reach different and inconsistent conclusions about the entitlements of beneficiaries which is contrary to the Government's view that the LGPS is a single scheme, administered locally.

2.8 Such issues are sensitive and to avoid funds taking different approaches in similar future circumstances, the government proposes to create a power to issue statutory guidance on the operation of the scheme's rules. The aim of this is to deliver greater standardisation of approach, and in particular how the interpretive duties under the Human Rights Act are met. An alternative would be to amend the rules of the scheme in relation to each judgement as it is made. This approach would be less flexible and would potentially take longer.

2.9 **Early access to benefits for deferred members of the 1995 scheme** – is a technical amendment to address the unintended consequence of the changes introduced in the Amendment Regulations effective from 14 May 2018 which aimed to allow all LGPS members the right to access their deferred pension from age 55.

2.10 These regulations excluded one group of deferred members, covered under the 1995 scheme rules, who if they did not take their benefits at age 55, would only be able to access their pension at 65, and not at any age in between, for example at age 60.

2.11 The technical amendment aims to correct this oversight and amend the regulations to fully achieve the initial policy aim which is to allow all deferred members the right to draw their pension from age 55, with the appropriate actuarial reductions.

2.12 It is my intention to respond to this consultation with full agreement to all three proposed areas of change, and with no further or additional comments. **I would ask for approval from the Pension Fund Committee and Local Pension Board to this course of action.**

3. Dorset Count Pension Fund – Data Quality and Data Improvement Plan

3.1 The necessity and importance of a good quality data and a Data Improvement Plan has been stressed by the Pensions Regulator (tPR), and following the second year in which we have commissioned Data Quality Reports, a Data Improvement Plan has been formalised. The continuing diversification of the employer base, the increasing number of payroll providers and ICT systems used to transfer information, present the Fund with significant operational challenges in meeting the statutory record keeping requirements.

3.2 The 2018 Data Quality reports, for both 'Common' and 'Scheme Specific' data, are attached at Appendix 2 and 3. This provides a summary of data integrity as at September 2018 and gives us a comparison with the position in August 2017. This shows an improvement in all areas tested.

3.3 The overall score of tests passed for common data held was 99.2%, an improvement over the 2017 rate of 98.8%. Seven of the eight categories met the highest benchmark of greater than 98% with three categories not recording a single failure. The one area not meeting the highest benchmark was member addresses held, which was 94.5%. The general quality of data tested at Dorset is of a high standard.

3.4 The overall score for the scheme specific data, (also known as conditional data), was 97.7%, an improvement over the 2017 rate of 92.7%.

3.5 The tPR is, from 2018, requesting data scores to be recorded on the annual scheme return. This return has now been submitted and the scores relevant for the DCPF are 97.8% for common data, and 88.8% for the scheme specific data. This figure represents the percentage of member records without a single common data failure.

3.6 Following on from these reports, a Data Improvement Plan has been drawn up to ensure that errors identified are addressed and cleared, and that a continuous programme of improvement is maintained over the coming year. Please see Appendix 4. **Approval for this is sought.**

3.7 In addition to regularly testing data, and setting improvement plans and targets, we are working with employers to ensure they understand their role in providing accurate and timely data.

4. Annual Allowance – 2018 Review

4.1 The Fund has a statutory duty to notify any member who exceeds the Annual Allowance (AA) by 5th October, after the end of the relevant financial year. The gradual reduction to the AA, (which is currently £40k) and the introduction in April 2016 of the Tapered Annual Allowance has led to increased complexities for the fund administrators and an increase in the number of members affected.

4.2 The number of members facing a tax charge is in the region of 28, an increase from the 2016/17 year where 17 members in total were subject to a tax charge. Additionally, we have identified 11 members who will definitely be subject to the Tapered AA, in increase from the 6 identified last year. These are members whose income exceeds approximately £125,000. Other members may fall subject to the Taper AA rules, but we cannot directly identify them.

4.3 The administration team face difficulties in implementing the increasingly complex pensions tax regime, particularly in regard to balancing the expectations of members, and the line that must be drawn in the provision of information and the potential interpretation that this could be seen as advice (we are not able to give any form of advice to members).

4.4 Members, once notified of their Pension Savings amount, are strongly advised to seek the guidance and expertise of a financial/tax advisor. Some members will try to avoid this because of the high costs involved, but there is nationally a shortage of suitable and able tax advisors to assist members. This issue has been discussed by the Scheme Advisory Board and needs to be addressed further to ease the risks and difficulties faced by members and administrators.

4.5 The fund has discussed ways in which we can assist members with Barnett Waddingham, whose tax advisory service the fund uses. As a result, we have commissioned Barnett Waddingham to produce a guide to completion of the self-assessment tax return. Once available we will issue this to all members who have exceeded the AA in 2017/18 (about 155 members). Although this only provides some limited assistance, it will hopefully be appreciated by members.

5. Key Performance Indicators and work backlogs

5.1 The Key Performance Indicators for the period August 2018 to October 2018 are attached at Appendix 5 and reflect the continued positive achievements of the section. This represents the ten key areas for the section but does not include all the work areas completed.

5.2 The Aggregation backlog work makes steady, but slow, progress. During the period August to October a further 356 cases were completed, with 1718 cases remaining.

Richard Bates
Pension Fund Administrator
November 2018