

Pension Fund Committee

11 March 2021

Pensions Administration

Choose an item.

Portfolio Holder: Choose an item.

Local Councillor(s): All Councillors

Executive Director: Aidan Dunn, Executive Director, Corporate Development

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Report Status: Public

Recommendation:

It is recommended that the Committee note and comment on the contents of the report and approve the content of the draft letter set out in Appendix 3 as interim advice to scheme employers. The letter will also need approval of the Pension Board.

Reason for Recommendation:

To update the Committee on aspects of Pensions Administration

1. 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:

- Key Performance Indicators
- Systems Procurement
- Exit Cap Update
- McCloud Data Collection
- Good Governance Report Published
- HM Treasury Consultation on increase in the Normal Minimum Pension Age
- Pension Scheme Act 2021
- Update on Cost Control Mechanisms and the 2020 Valuations

2. Financial Implications

N/A

3. Well-being and Health Implications

None

4. Climate implications

None

5. Other Implications

N/A

6. Risk Assessment

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: N/A

Residual Risk: N/A

7. Equalities Impact Assessment

N/A

8. Appendices

- Appendix 1 – KPIs (November 2020 - January 2020)
- Appendix 2 - Good Governance Report

9. Background Papers

- [LGPS Regulations 2013](#)
- [Mandatory HM Treasury Directions - GOV.UK \(www.gov.uk\)](#)
- [The Restriction of Public Sector Exit Payments Regulations 2020 \(legislation.gov.uk\)](#)
- [Guidance to Public Sector Exit Payments.pdf \(publishing.service.gov.uk\)](#)
- [Good Governance Final Report February 2021.pdf \(lgpsboard.org\)](#)
- [Taking action on climate risk: improving governance and reporting by occupational pension schemes – response and consultation on regulations - GOV.UK \(www.gov.uk\)](#)
- [Data standards guide | Pensions Dashboards Programme](#)
- [The Restriction of Public Sector Exit Payments \(Revocation\) Regulations 2021 \(legislation.gov.uk\)](#)

10. Background

- 10.1. This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund.

11. Key Performance Indicators and Homeworking

- 11.1 The key performance indicators (KPIs) for the period 1 November to 31 January are attached at Appendix 1.
- 11.2 The team continues to work from home in the main, which is not ideal for the service. Some staff do not have an ideal environment at home, and some experience technical issues. Staff welfare is impacted, and it is hoped that restrictions can soon be lifted to allow some staff more time in the office.
- 11.3 Backlogs are starting to appear in some areas, though these are not significant, mostly affecting aggregation cases. These are being closely monitored. The focus remains on the payment of benefits. Hopefully, the pressures of home working, and home-schooling, will soon be relieved. Despite these difficulties, the team continue to do an excellent job, and this is reflected in the KPIs attached.

12. Systems Implementation

- 12.1. This crucial project is now underway and progressing well. The project is managed via fortnightly project meetings with Civica, weekly internal project meetings and monthly Project Board meetings, which includes two Local Pensions Board members, representation from Dorset Council ICT and Corporate Development. Civica is providing excellent support to the project.
- 12.2. A monthly Highlight Report monitors closely the project progress, which is reviewed by the Project Board and fortnightly meetings with Civica. The Highlight Report covers the monitoring of implementation costs, milestones, days of work forecast and delivered, quality, resources and acceptance. To date, progress is as planned.
- 12.3. In addition to the Highlight Report, the RAID log is regularly reviewed. This is a log of the Risks, Actions, Issues and Decisions. It enables those involved in the project to identify risks, assess the potential impact to the service, list the mitigation measures and plans and then monitor progress. The main issue for the project team is not to let the timescales, which are extremely tight, slip in any way. The top four risks are currently as follows:
- Delays in payment of benefits, or benefits not being paid at all
 - Resourcing for end of year processing which could impact on the resources available for project work and impact delivery

- End of Year data submission from employers, late or poor-quality data could result in poor data quality scores, delayed ABI issued, delayed or inaccurate annual allowance calculations
 - Dorset Council and BCP Interfaces
- 12.4. Training and system testing have commenced for key staff only, the majority of staff will receive their training nearer to Go Live. They will be supported by other team members who will be fully trained, and user system guides developed. The Member and Employer Hub is currently being installed.
- 12.5. In order to meet the tight timescales of this project, we plan to issue the Annual Benefit Statements at the earliest stage ever this year, with the deferred statements due to be issued in April and the active statements in June. In order to achieve this, we will be ensuring employers are aware of the need to stick to the agreed timescales for the submission of their annual data.
- 12.6. The main areas completed as at the time of writing this report are:
- Project plans (internal and Civica) finalised and agreed
 - UPM set up and build complete
 - UPM scoping completed
 - Member Web scoping completed
 - Employer Hub scoping completed
 - Interfaces and Monthly returns scoping completed
 - First two work packages delivered, together with three training sessions
 - Testing has started on first work packages
 - Discussions with London Pensions Partnership regarding the transferring of workflow data

13. Public Sector Exit Payments Regulations to be revoked

- 13.1. On 12 February 2021 the government issued the [Exit Payment Cap Directions 2021](#) which disapply parts of the [Restriction of Public sector Exit Payments Regulations 2020](#) in England with immediate effect. The Directions disapply regulation 3 (Restrictions on exit payments), meaning the exit cap no longer applies in England from this date.
- 13.2. This means that where a scheme member is dismissed by reason of redundancy or business efficiency at age 55 or over, the existing and current provisions of the [Local Government Pensions Scheme regulations 2013 \(Regulation 30\(7\)\)](#) will apply as they did prior to the introduction of the Exit Cap regulations on 4 November 2020.

- 13.3. HM Treasury has issued [guidance on the Directions](#). The guidance sets out the procedures that must now be followed where a member has retired between 4 November 2020 and 12 February 2021 and whose benefits were impacted by the Exit Cap regulations. The Scheme Advisory Board (SAB) has additionally published Revocation Advice. There were fortunately no such retirements in the Dorset County Pension Fund during this period.
- 13.4. The HMT guidance also confirms that the government will revoke the exit cap regulations on 19 March 2021, (the [Restriction of Public Sector Exit Payments \(Revocation\) Regulations 2021](#) were made and laid on 25 February 2021) but that they will legislate again to tackle unjustified exit payments. We understand that MHCLG plans to introduce further changes to exit payments following the recent MHCLG consultation on reforming local government exit pay. MHCLG have confirmed that they will consult again on these further reforms to exit payments before any changes are made.
- 13.5. Employers have been notified of these potential changes and advised to ensure members are aware that there will be legislative change at some point, possibly later this year, where workplace reform and/or any potential redundancies may occur.

14. McCloud Data Collection

- 14.1. The Dorset County Pension Fund has asked all employers to supply data for the working hours and service breaks for all scheme members since 1 April 2014. This historical data is needed to implement the remedy for members in scope of protection.
- 14.2. This is not an easy task for employers. However, we believe that this will be achievable for our two largest employers, Dorset Council and BCP, plus several of our other larger employers. Training has been delivered and employers are engaging with the process. Inevitably there will be some employers unable to do this. The deadline for submission for this data is 31 March 2021.
- 14.3. Civica has confirmed it will be delivering as part of our new software, tools to assist with upload of data on records where this can be done. Many thousands of records will have to be checked and updated manually, however aggregation or transfers can make automatic upload of data a risk. This is the first part of a project that will span several years, and further software changes will be necessary to implement the revised regulations once these are in place.

15. Good Governance report Published

15.1. On 15 February 2021, the Scheme Advisory Board (SAB), published its final [report on Good Governance and Action Plan](#) for submission to the Ministry of Housing, Communities and Local Government (MHCLG) for consideration. See Appendix 2.

15.2. The Action Plan identifies areas for MHCLG to implement by amending regulations or producing statutory guidance, as well as areas for the SAB and other bodies to implement. Details are included for the next steps in best practice. The main recommendations are;

General – new statutory guidance, the requirement for a LGPS Senior Officer, and a new annual compliance statement

Conflicts of Interest – Funds must produce a conflict of interest policy

Representation – Policy on scheme members and non-administering authority employers on committees and voting rights

Skills and Training – Officer and Committee training, s151 officers LGPS CPD requirement, training plans to be published

Service delivery for LGPS function – Roles and Responsibility matrix, publish an administration strategy, report performance against KPIs

Compliance and Improvement – Independent biennial governance review & improvement plan assessed by SAB panel, plus an LGPS Fund peer review process

16. HM Treasury consultation on implementing the increase in the normal minimum pension age

16.1. On 11 February 2021, HM Treasury published their [consultation on the implementation on increasing the normal minimum pension age](#)

16.2. The consultation reconfirms the government's announcement that the National Minimum Pension Age (NMPA) will rise to 57 on 6 April 2028. The government believes that increasing the minimum pension age reflects increases in longevity and changing expectations of how long people will remain in work and in retirement.

16.3. The consultation outlines a proposed framework to be applied to members of registered pension schemes when the NMPA changes. The current NMPA is 55 and a protection regime will be offered for all types of registered pension schemes where there is a current right under the scheme rules to take pension benefits at an age below 57.

- 16.4. Protected pension age will be specific to an individual as a member of a particular scheme. The consultation is not specific to the LGPS. The consultation suggests full protection for existing scheme members, adding a further layer of complexity to the scheme going forward.

17. The Pension Schemes Act 2021

- 17.1. On 11 February 2021, the [Pension Schemes Act 2021](#) received royal assent. The provisions within the Act will come into force when the Secretary of State makes regulations for them, this is expected to be in the autumn of 2021. The Act paves the way for:

- The introduction of Collective Defined Contribution schemes
- The creation of the Pension Dashboards
- The introduction of new powers for the Pension Regulator concerning employer debt
- Amendments concerning funding for defined benefit schemes, the governance of climate change investments, extra conditions that members must satisfy before they are able to transfer their LGPS benefits to an occupational pension scheme, and pension protection and administration charges

Areas of the above that will directly impact the LGPS are

- 17.2 **Climate Risk Reporting** – [Draft regulations have already been published for consultation](#) which would require trustees of occupational pension schemes that are in scope to meet the climate change governance requirements that underpin the 11 recommendations of the Taskforce on Climate-related Financial Disclosures, and to report on how they have done so. The government is also consulting on draft statutory guidance to accompany the regulations. The scope of these regulations does not include the LGPS, however, regulations are expected from MHCLG to substantially mirror the requirements set out in this consultation.
- 17.3 **Pensions Dashboard** – Administering authorities should consider [the new data standards](#) published by the Pensions Dashboard Programme to identify any data gaps that need filling, to ensure that they will be ready to provide the right information to the dashboards at the right time.
- 17.4 **Transfers Out** – Secondary legislation will be needed to fill in the detail of the extra conditions' members must satisfy before they are able to transfer their LGPS benefits to an occupational pension scheme.

18 **Update on Cost Control Mechanisms and the 2020 Valuations**

18.2 The Government announced updates on the 2016 and 2020 Valuations and cost control mechanism:

- The cost control element of the 2016 valuations will now be completed using Deferred Choice Underpin (DCU) to establish the cost of implementing the McCloud remedy.
- There will be no reduction to member benefits as a result of completing the 2016 valuation if the cost ceiling is breached.
- If the cost floor is breached, this will be honoured by implementing increases in benefit accrual and/or reductions in member contributions from 1 April 2019.
- Any change in employer contributions in the unfunded schemes triggered by the 2020 valuations will take effect from 2024 instead of 2023.

18.3 The SAB has confirmed that discussions on the Board's own cost management arrangement for the LGPS in England and Wales will remain paused until HMT publishes a final version of the Directions to be used for the 2016 valuation. HMT will publish a new set of draft Directions outlining the policy detail for the 2020 valuations in due course. The Directions will set out the process for schemes to follow to issue results for the 2020 valuations and provide more detail on how remedy costs are to be calculated.

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.