

Pensions Fund Committee

29 November 2023

Pensions Administration Report

For Review and Consultation

Local Councillor(s): All

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Report Status: Public

Brief 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
- McCloud Update
- McCloud – member Communication
- LGPS statistics for England and Wales
- Pensions Dashboard
- September 2023 CPI rate announced
- McCloud – Annual Benefit Statements 2023 to 2025

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.

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 Key Performance Indicators

- 2.1 The key performance indicators are attached at Appendix 1. These are for the period 1 August to 31 October 2023. The previous quarter is included for reference.
- 2.2 There is continued improvement in key areas such as retirements, retirement quotes and estimates, and consistently good performance in all areas where members are impacted.
- 2.3 Please note the exceptionally high levels of all work completed and worked on during this period. A continued effort is being made by all staff to ensure data is correct for the new McCloud remedy regulations and to clear as much outstanding work as possible.
- 2.4 Going forward, it is important to understand the potential impact of the new [Local Government pension Scheme \(Amendment\) \(No.3\) Regulations 2023](#) on KPI's in the coming 12 to 18 months. Please refer to further details below.

3 McCloud Remedy

- 3.1 On 8 September 2023, DLUHC laid the [Local Government pension Scheme \(Amendment\) \(No.3\) Regulations 2023](#). These regulations came into force on 1 October 2023. These regulations implement the McCloud remedy and change the existing underpin to ensure it works effectively and consistently for qualifying members.
- 3.2 DLUHC will publish guidance on prioritisation and set up an implementation group to identify what other areas of guidance will be required.
- 3.3 On 8 September the Government issued its [response](#) to the consultation 'McCloud remedy in the LGPS – supplementary issues and scheme regulations' which closed on 30 June 2023. This consultation covered proposals around aggregation, club transfers, flexible retirement, divorce, injury allowances, compensation, interest, and excess teacher service.
- 3.4 The response confirms that where it is required, updated Government Actuary's Department guidance will be issued 'as soon as possible', as will the updated Public Sector transfer Club memorandum. A national group has been set up to consider the areas where guidance is needed. The response sets out some of the areas where guidance will be statutory and where it will be non-statutory.
- 3.5 Statutory guidance will be issued where it is necessary to have a consistent approach, and this is not already achieved through regulations. This will include the prioritisation of McCloud cases and how to identify which members qualify for McCloud protection where there could be earlier public service pension rights.
- 3.6 Non statutory guidance, for example guidance on complex case examples and how to deal with flexible retirement cases, will follow with a technical consultation with selected stakeholders.

- 3.7 The complexities of these new provisions and of the underpin calculation have meant that we have been unable to update our software to meet the new requirements. Extensive testing revealed large areas where the underpin calculation was not accurate. This means that technically benefits being currently paid are in breach of the LGPS Regulations. A decision was made after discussions with managers, the software provider, and our Project Manager (AON) to wait until the software can deliver more accurate and reliable calculations. We continue to work closely with our software supplier to ensure this is addressed as soon as possible.
- 3.8 As a result of this, once our systems can accurately accommodate the new regulatory provisions, we will need to re-visit all benefits paid since 1 October to ensure underpin calculations, for members in scope for the remedy, are calculated, and benefits adjusted where needed. This will be the first priority area of work. Once this area has been addressed, the Fund will move to the rectification work.
- 3.9 The rectification work is the re-calculation of all benefits paid since 1 April 2014. This is a substantial task, looking at 1000s of work items including retirements, death benefits, deferred benefits, and transfers. We expect non statutory guidance on prioritisation and anticipate our software provider to make provision for as much automation as possible to help us assess members to whom the underpin might apply.
- 3.10 Additional regulations will be required for some areas, for example dealing with excess teacher's service, and further consultations will be made in due course.
- 3.11 A combination of the delay in statutory guidance and the appropriate software revisions means that the administration team is dealing with an array of additional considerations. This is particularly evident with transfers, where in each category of transfers, (Interfund, Club, Non-Club, Personal), various restrictions apply. This means that in each category some transfers in/out can be done, but others can't. This will depend on relevant dates, data readiness, whether members are in or out of scope etc. Some areas of work cannot be completed until GAD issues revised factors, for example Pension Share on Divorce orders.
- 3.12 It is anticipated that our software will be updated in our Test system at the end of November. Testing is then required before the new software goes into the Live system. Realistically, it won't be until the new year when the team can address the first tranche of work which will be the re-calculation of benefits paid/calculated since 1 October 2023. This will be followed by the main rectification work.
- 3.13 The national LGPS Technical Group is monitoring the progress of all LGPS funds in regard to the implementation of the McCloud remedy and new regulations. This is achieved through regular surveys, all results are published anonymously and shared with the group, relevant scheme advisory boards and the Pensions regulator. [The results of previous surveys can be found on the Technical Group page \(England and Wales\).](#)
- 3.14 Despite the difficulties presented by the new regulations, the administration team stands in a good position, with a stable and experienced team. In addition, the quality of our data, and the extensive work carried out to update

member records to be 'McCloud ready' puts the Fund in a good position going forward. However, it is important to note the extent of the challenge we now face, and that there will be a considerable impact on the administration team over the next 1 to 2 years.

4 McCloud – Member Communication

- 4.1 Under the requirements of the Occupational and personal pension Schemes (Disclosure of Information) Regulations 2013, the fund is required to notify active, deferred, pensioner, and pension credit members of regulation changes within three months of the change. Therefore, the Fund will issue the required notice to all relevant members by the end of December 2023. This will be a written communication to home address. All active members, but only those pensioner and deferred members who are in scope for the remedy, will be included.
- 4.2 All members who are currently being paid a benefit, or for who a benefit is being calculated, are being notified of the McCloud remedy and regulatory changes. In addition, members are being notified that current software restrictions means that the underpin has not been taken account of but that their benefits will be re-assessed as soon as we are in a position to do so, and that any potential changes to their benefits will be notified to them and back payments made.
- 4.3 All member communications now include reference to McCloud and direct members to [our website](#) for more information, and to the [national LGPS members website](#) which has some excellent resources and information for members. Additionally, written information is included with all correspondence. Managing expectations is important as overall, despite the extensive work required, very few members will receive an underpin in the LGPS.

5 LGPS statistics for England and Wales

- 5.1 On 25 October 2023, The Department for Levelling Up, Housing and Communities (DLUHC) published the [LGPS statistics for England and Wales: 2022 to 2023](#). Highlights include:
- Total expenditure was £15.2 billion, an increase of 5.1% on 2021/22
 - Total income was £17.3 billion, an increase of 7.8% on 2021/22
 - Employers' contributions amounted to £8.4 billion, an increase of 7.8% on 2021/22
 - Employee contributions were £2.8 billion, an increase of 9.5% on 2021/22
 - The market value of the LGPS funds as of March 2023 was £357.2 billion, a decrease of 1.9%
 - There were 6.2 million scheme members on 32 March 2023: 2 million active members, 1.9 million pensioners, and 2.3 million deferred members

- There were 87,129 retirements, a decrease of 8% compared with 2021/22

6 Pensions Dashboards

- 6.1 The National LGPS Technical Group regularly gathers information, via surveys, to gather information about administering authorities progress in implementing the Pensions dashboards. All results are published anonymously and is shared with the group, the relevant Scheme Advisory Board and the Pensions regulator. Results of previous surveys can be found [here](#).
- 6.2 The National LGPS Technical Group has set up a sub-group to look at the issue of AVCs and Dashboards. The sub-group comprises representatives from software providers and administering authorities. Progress from the sub-group will be published in the [Technical Group minutes](#).
- 6.3 The Pensions dashboard Programme (PDP) has published a [blog addressing some of the common dashboard questions](#).

7 September 2023 CPI rate announced.

- 7.1 On the 8 October 2023, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2023 as 6.7%.
- 7.2 Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Services Pensions Act 2013 on the rate of CPI in the September of the previous year.
- 7.3 We await confirmation from Government that LGPS active pension accounts, deferred pensions and pensions in payment in April 2024 will increase by 6.7%.

8 McCloud – Annual Benefit Statements 2023 to 2025

- 8.1 On 30 August 2023, the Pensions Regulator (TPR) published [guidance on annual benefit statements \(ABS\) for 2023 to 2025](#) for public sector schemes.
- 8.2 The guidance is primarily aimed at those schemes who will need to send remediable service statements to members affected by the McCloud remedy. LGPS administering authorities will not need to do this.
- 8.3 TPR acknowledges the need for schemes to send these statements over the next two years may impact their ability to produce accurate, complete and timely benefit statements.
- 8.4 The guidance sets out TPRs expectations. TPR accepts meeting the disclosure requirements due to the McCloud remedy may be challenging. As a result, they will take a risk based, practical approach when assessing ABS breaches during this period.

9 Financial Implications

N/A

10 Climate Implications

None

11 Well-being and Health Implications

None

12 Other Implications

N/A

13 Risk Assessment

13.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: N/A

Residual Risk: N/A

16. Equalities Impact Assessment

N/A

17. Appendices

Appendix 1 – KPIs (1 August 2023 to 31 October 2023)

18. Background Papers

[LGPS Regulations 2013](#)

[The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023 \(legislation.gov.uk\)](#)

[Public Service Pensions Act 2013 \(legislation.gov.uk\)](#)

[Local government pension scheme funds for England and Wales: 2022 to 2023 - GOV.UK \(www.gov.uk\)](#)