

Pension Fund Committee

15 June 2021

Pensions Administration

For Decision

Portfolio Holder: Cllr S Flower, Leader of the Council

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 policies contained in Appendices 2 and 3 plus the interim amendment to the Funding Strategy Statement at Appendix 4. The policies 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 Implementation Update
- Employer Flexibilities – new policies
- Employer Update
- Prudential – Update
- Written Ministerial Update on McCloud and the LGPS

- DCPF – update from GAD re section 13 results

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 (February 20 to April 2021)
- Appendix 2 – DCPF DSA and DDA Policies DRAFT
- Appendix 3 – DCPF Contributions Review Policy DRAFT
- Appendix 4 – DCPF FSS Review DRAFT

9. Background Papers

- [LGPS Regulations 2013](#)
- [The Local Government Pension Scheme \(Amendment\) \(No. 2\) Regulations 2020 \(legislation.gov.uk\)](#)
- [Written statements - Written questions, answers and statements - UK Parliament](#)

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

11.1 The key performance indicators (KPIs) for the period 1 February to 30 April 2021 are attached at Appendix 1.

11.2 Systems Implementation

11.1. The implementation of the new systems is progressing well, and remains on target, though with very tight timescales. There is an exceptional amount of work to be done in preparation for the Go-Live dates, and this is putting a lot of pressure on the team.

11.2. The team are focusing on priorities, with some aspects of the new system to be further developed after the system is live. The transfer of active work cases, which typically average between 4,000 and 5,000, is a particular challenge and will involve careful planning as the workflow system changes, and close control so that cases are not lost, or priority orders shifted. Our main focus will be the smooth transition of retirements, death benefits and transfers

11.3. Because of the considerable amount of work and training necessary to this project, it is anticipated that some work backlogs will be inevitable. It is planned that where our normal workload cannot be completed, Aggregation cases will be the work area of least priority, followed by the processing of deferred benefits. However, there is also the mix of skills and knowledge to take into account. It is therefore anticipated that some work backlogs will accrue over the next few months.

11.4. Some additional resource has already been sourced; however, it is very hard to find temporary staff with experience in our critical areas. Extra resources are instead put to easier tasks, general support and data cleansing.

11.5. I am pleased to report that the crucial end of year processes have been completed by the team in record time this year, and we are extremely grateful to our employers for their support in enabling this to happen. I can also confirm, that as a result of this we were able to issue our deferred benefit illustrations, (20,949 in all) by 11 May this year. In addition, I can also confirm that the data has been successfully extracted for the active annual benefit statements, which will meet our anticipated deadline for dispatch of 25 June 2021.

11.6. Other important milestones towards meeting our deadline for implementation are, the successful application of pensions increases to deferred and pensioner benefits, plus the application of revaluation to CARE accounts. I can also confirm that the annual allowance for 2021 has also been run into our current administration system which, whilst there remains still a considerable amount of work yet to be done, this will enable us to meet the statutory deadline which falls

shortly after the new system has been implemented. We are also hoping to complete our statutory requirement to measure the quality of our data to meet the requirements of the Pensions Regulator before the system is changed.

- 11.7. Prior to the Go-Live dates, the section will have a 'black-out' period (15 to 28 July) where neither the old nor new system will be live. During this time testing will continue and critical work will be handled by the team with extreme caution. The Go-Live dates have been confirmed as followed, the main administration system will be live from 28 July, followed by the Employer Portal which will be live from 30 July. Finally, the new Member Portal will go live from Monday 2 August.
- 11.8. The month of August will therefore be extremely difficult for the team. There will be a sizeable backlog of scanning, workloads and work cases to be transitioned to the new system, involving considerable manual input. I am also very aware that it will be very important for the team to try to take some annual leave after such a busy and stressful period.
- 11.9. There is a specific risk that has been raised previously on the RAID log, and which currently threatens the stability and timing of the project. Dorset Council, who provide the accommodation for the Dorset County Pension Fund, have requested that the team move location prior to the implementation date. This is not feasible at all for the team in the circumstances and this has been fed back to Dorset Council. We are currently waiting for a further update.
- 11.10. Issues identified within the system have been connected to the functionality of the Member Portal, now resolved with some minor development required after implementation, and to the Annual Allowance screens and calculation functionality. This later issue was of a more serious concern. Civica have addressed the issues raised and are implementing wider system changes to accommodate our requirements and to benefit all users. Some further changes will not be available to us to test until 12 June. The issues and concerns raised by us led to our need to ensure the annual allowance process for 2021 could be run early in the current system, which has been achieved. I am hopeful that the changes coming through will provide the DCPF with everything needed to ensure members continue to have the level of service currently provided in this important and high-risk area.

12. Employer Flexibilities – New Policies

- 12.1. The [LGPS \(Amendment\) \(no 2\) Regulations 2020](#) introduced increased flexibility when dealing with exiting employers, and the ability to review employer contribution rates in between valuations.

- 12.2. New policies are needed to reflect the changed provisions, and these are included in Appendix 2 and 3. An amendment to the Funding Strategy Statement (FSS) to reflect these new policies is additionally included in Appendix 4. Further amendments to the FSS will be required to take account of the new policies. These policies need to be reviewed and agreed by both the Committee and the Pension Board. Please feed any comments to Karen Gibson.
- 12.3. Please note that the policies refer to any dispute being referred to the Employer Dispute Resolution Policy. This has not yet been finalised.
- 12.4. The Deferred Debt and Debt Spreading Agreement Policy – please consider the following points when reviewing the policy where changes have been made to the provisional suggestions of the actuary.
- The timescales stated
 - The timescale for a review of the deferred employer’s funding position
 - The option for the fund to review the employer’s covenant
- 12.5. The Contribution Review Policy – please consider the following points when reviewing the policy where changes have been made to the provisional suggestions of the actuary.
- The timescales stated
 - Covenant checks at discretion of fund

13. Employer Update

13.1. Below is an update on recent employer movements within the fund.

New admitted bodies 2021 (and in progress)		
Name	Date admitted	Service
HPS Services FM Ltd	01/04/2021	Cleaning (Budmouth & Atlantic Academies)
Cucina Restaurants Limited	01/04/2021	Catering (Budmouth & Atlantic Academies)
Horizon Home Care (Southern) Limited	01/04/2021	Care & support service (BCP)
Restorative Solutions	01/05/2021	Restorative Justice Service (OPCC)
Expedite Commercial Cleaning	01/07/2021*	Cleaning (Teach Poole Academy Trust)
*planned date		

Cessations From 01/04/2020	
Name	Date Ceased
Care Quality Commission	31/01/2021
Care UK	16/03/2021
SLM Poole Food & Beverage	20/11/2020
Ansbury	31/07/2021

14. Prudential Update

- 14.1. I wanted to update you on specific issues we, and other LGPS funds, are currently experiencing with the Prudential, our in-house AVC provider. Following a change to the Prudential's internal systems, we have experienced serious delays and communication issues with them. This has caused unacceptable delays to members receiving their retirement benefits, and to the reconciliation of payments. In addition, they have been unable to supply us with the annual schedule of payments which has impacted our ability to run the annual allowance.
- 14.2. The Prudential is the in-house AVC provider for a number of LGPS funds, and the issues have been raised nationally, through the LGPC Technical Group, and regionally. We have met with them personally to try to address these issues. We received reassurances of improved service, but this has not materialised. We have received a number of complaints from members whose retirements benefits have been delayed because of this.
- 14.3. The prudential have self-reported to the Pensions Regulator, and have admitted to being in a difficult position, and have stressed their commitment to providing AVCs to the LGPS. We continue to monitor the situation.

15. Written Ministerial Update on McCloud and the LGPS

- 15.1. On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a [written Ministerial Statement on McCloud and the LGPS](#). The statement confirms the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination. The statement confirms that;
- The age requirement for underpin will be removed

- A member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection
- The remedy period will end on 31 March 2022
- The underpin calculation will be based on final pay at the underpin date, even when this is after 31 March 2022
- There will be two stages to the underpin calculation, the first being on the underpin date (date of leaving or normal pension age under the 2008 scheme), and secondly when the benefits are paid
- The regulations will be retrospective to 1 April 2014

16. DCPF – update from GAD re Section 13 results

- 16.1. On 14 May, we met with the Government Actuary's Department (GAD), at their invitation to discuss the Fund's Section 13 results. Our actuaries were also included in the meeting.
- 16.2. MHCLG appointed GAD to report under Section 13 of the Public Service Pensions Act 2013 in relation to the 2019 actuarial valuations of all the English and Welsh LGPS funds. The aim of the report is to consider whether the aims of consistency, compliance, solvency and long-term cost efficiency are met.
- 16.3. GAD have carried out their initial review and have provided a two page summary for the Dorset County Pension Fund. The Dorset Fund had no amber or red flags, however, it was close in one or more areas. The purpose of the meeting was to discuss what the Fund could do to avoid drifting into being flagged at the next valuation, due in 2022.
- 16.4. Their main focus during the meeting was the relative funding level against employer contribution rates. This gave us some concerns ahead of setting new employer rates next year following the valuation. It is likely that we will stick with an approach consistent with the 2019 valuation and try to keep contributions affordable for employers following such a difficult time for them.

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.