

# Pension Fund Committee

## 30 November 2021

### Pensions Administration

Choose an item.

**Portfolio Holder:** Choose an item.

**Local Councillor(s):** All Councillors

**Executive Director:** Aidan Dunn, Executive Director, Corporate Development

Report Author: Karen Gibson  
Title: Service Manager for Pensions  
Tel: 01305 228524  
Email: karen.gibson@dorsetcouncil.gov.uk

**Report Status:** Public

**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 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
- Annual Allowance 2021
- Staffing Review Scheme Advisory Board (SAB) cost management result published
- HMT publishes consultation response on the cost control mechanism
- New Local Government Minister
- SF3 Data Published

## **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**

- [LGPS Regulations 2013](#)
- [LGPS Scheme Advisory Board - Cost Management \(lgpsboard.org\)](#)
- [Kemi Badenoch MP - GOV.UK \(www.gov.uk\)](#)
- [Official statistics overview: Local government pension scheme funds for England and Wales: 2020 to 2021 - GOV.UK \(www.gov.uk\)](#)
- [Public service pensions: cost control mechanism consultation - GOV.UK \(www.gov.uk\)](#)
- [Public service pensions: completion of 2016 valuations - GOV.UK \(www.gov.uk\)](#)

## **9 Background**

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

## **10 Key Performance Indicators**

- 10.1 A presentation will be delivered to update members on the latest performance indicators for the DCPF.

## **11 Systems Implementation**

- 11.1 The new system has been in place since the end of July and is performing well generally. Staff have adapted well to the significant change in the way we work, and the system allows for greater adaptability, making remote working more accessible.
- 11.2 There remains a large number, between 35 and 40, outstanding issues raised within the project which is a great source of frustration for the team. These cover a range of issues, including technical matters, data migration errors and changes and improvements to the member and employer portal. I am currently working with Civica to establish a timescale for the remaining items to be completed. The system change inevitably caused a slow down in work, and some back logs now exist that will take a while to address. However, key areas that impact members are operating well.

## **12 Annual Allowance 2021**

- 12.1 All pension funds are required to issue pensions saving statements by the 6 October each year to members whose Annual Allowance exceeds the £40,000 limit. The Annual Allowance is a measure of pensions growth within a tax year. For a defined benefit scheme such as the LGPS, this is not a simple or straight forward calculation. Where the Annual Allowance exceeds £40k, the member may be subject to a tax charge.
- 12.2 Due to the change in our system, DCPF have struggled with calculating and reporting annual allowance and migrating the data from the old to the new system. As a result of this, we have been unable to issue statements within the statutory deadline.
- 12.3 The calculation of Annual Allowance is a particularly complex and challenging area. Around 150 members are impacted each year which can result in a high tax charge payable by the member, so it's essential to get this right. Because of the complexity and risk, the decision was made to delay issuing statements until we were able to supply statements with confidence.
- 12.4 DCPF have self-reported this breach to the Pensions Regulator and notified affected members of a delay in providing pension saving statements, although strictly speaking this was not a material breach. This should not adversely impact members as they will still have time to review the information provided, and make any decisions as needed ahead of the self-assessment reporting deadline set by HMRC.
- 12.5 DCPF have a policy on reporting breaches of the law, which includes informing the Local Pensions Board and the Pensions Committee, which has been followed in this instance.
- 12.6 The DCPF has arranged for the provision of two training sessions for members explaining the Annual Allowance and Lifetime Allowance tax charges, these are scheduled for November and are free to members. These sessions might also be useful for employers' HR and Payroll staff to help their knowledge of pensions tax. The Annual Allowance usually affects high earners or members receiving a large promotion

as changes in final pay (pre 2014 pension) can have a large impact on pension growth in any one year.

### **13 Staffing Review**

13.1 The administration team has lost several staff in recent months, as the ability to work from home means staff can move to a better paid job without having to relocate. LGPS funds across the country are all currently experiencing difficulties with staff losses, recruitment and a shortage of skills and knowledge. The DCPF is one of the lowest paid administering authorities, which has led to us losing good staff, and struggling to recruit suitable replacements.

13.2 A well-motivated workforce is essential to ensure stability as we move into a period of significant workloads with the McCloud regulations due to be issued next year. We will be working with colleagues in HR to see what can be done to improve staff retention.

### **14 Scheme Advisory Board (SAB) cost management result published**

14.1 On 15 October 2021, SAB published the [result of its cost management process](#) for the 2016 valuation. Although the Board reached agreement on how to include McCloud costs in the process in the summer, it was not able to publish the outcome until HM Treasury (HMT) published the Cost Cap Directions 2021,

14.2 SAB has agreed to spread McCloud costs over a 10 year period (rather than the four years used the HMT process), resulting in an outcome of 19.4% against the target cost of 19.5%. Despite the slight shortfall in cost, the SAB will not be recommending any scheme changes.

Going forward, SAB will revisit tier 3 ill health and contributions for the lowest paid members and make separate recommendations in these areas.

### **15 HMT publishes consultation response on the cost control mechanism**

15.1 On 4 October 2021, [HM Treasury \(HMT\) published its response](#) to the Public Service Pensions cost control mechanism consultation. This confirms it will proceed with all three proposed reforms as follows;

- Moving to a reformed scheme only design which considers only past and future service in the new schemes. Legacy costs are to be excluded
- The cost corridor will be widened from 2% to 3% of pensionable pay
- Introduction of an economic check to allow for the consideration of long-term economic assumptions

15.2 The Government aims to implement these changes in time for the 2020 cost control valuations.

15.3 On 7 October 2021, HMT published the [Public Service Pensions \(Valuation and Employer Cost Cap\) \(Amendment\) Directions 2021](#). Previously, in February 2019, HMT had paused the cost cap element of the 2016 valuations due to the uncertainty of costs following the McCloud and Sargeant litigation.

## **16 New Local Government Minister**

16.1 On 16 September 2021, [Kemi Badenoch was appointed as Minister of State](#) for the Department for Levelling Up, Housing and Communities (DLUHC) as part of a Government reshuffle replacing Luke Hall.

## **17 SF3 Data Published**

17.1 On 27 October, DLUHC published the [Local Government Pensions Scheme statistics](#) for England and Wales for the 2020/21 year. Highlights of the report include;

- Total expenditure of £13.4 billion
- Total income of £17.2 billion, an increase of 7.5% on 2019/20
- Employer contributions increased by 32.46% over the previous year to £10.2 billion
- Employee contributions of £2.4 billion
- The market value of LGPS funds in England and Wales on 31 March 2021 was £332.7 billion, an increase of 22.14%
- There were 6.1 million scheme members on 31 March 2021, 2.0 million active members, 1.8 million pensioners and 2.2 million deferred members
- There were 82,567 retirements in 2020/21, a decrease of 6.4% compared with 2019/20

### **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.