

Pensions Fund Committee

14 March 2023

Pensions Administration

For Review and Consultation

Portfolio Holder: Cllr G Suttle, Finance, Commercial & Capital Strategy

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

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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
- LGPS Consultation on change to Revaluation Date
- Pensions Dashboard Programme Update
- McCloud Update
- Consultation on SAB Cost Control Mechanism
- New Ministerial Appointments confirmed
- Overseas Existence Checks
- Confirmation of Annual Revaluation and Pensions Increases
- TPR's Governance and Administration Survey

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 November 2022 to 31 January 2023. An additional column has been added to show the average number of days taken for completion.

2.2 The number of telephone calls taken by the department is also recorded as this represents a substantial work area and our commitment to good customer service. Please note that our previous system of recording calls was changed to a more comprehensive system, in-built to the administration software, to enable more accurate recording in future. The new system also allows us to monitor the nature of the enquiries received for analysis and improved service.

3 LGPS Consultation on change to Revaluation Date

3.1 On 10 February 2023 the Department of Levelling Up, Housing and Communities (DLUHC) issued a [consultation](#) to seek views on the proposed change to the England and Wales LGPS annual revaluation date from 1 April to 6 April. The consultation period is only two weeks, with the closing date being 24 February 2023.

3.2 This is in response to the potential increase in members breaching the Annual Allowance due to the inclusion of the previous year's CPI (3.1%) at the start of the Pension Input Period (PIP), and the CPI rate for September, of 10.1%, being applied to the calculation of benefits at the close of the PIP. The Government Actuary's Department (GAD) have assessed that the number of potential annual allowance breaches, based on the existing formula and assumed pay increases, would be significantly higher than normal.

3.3 The Dorset County Pension Fund has not been able to respond to the consultation due to the short consultation response time.

3.4 In the LGPS Regulations, the scheme year runs from 1 April to 31 March. Revaluation, which is the inflation adjustment (CPI) applied to active and deferred CARE accounts, is applied on 1 April. The tax year runs from 6 April to 5 April, and it is the growth in the members pension over this period, (known as the Pension Input Amount, or PIA) which determines if there is a tax liability. Members may face tax liabilities because while the PIA and the LGPS are both based on CPI, they are based on CPI figures as at different dates.

- 3.5 The proposed changes means that the LGPS revaluation will be aligned with the tax calculations. Previously, lower inflation rates have mitigated any impact of this non-alignment.
- 3.6 The short notice of implementation will impact the administration service. This is primarily because LGPS software providers have stated that they are unable to make the system changes required by April. Instead, the existing processes and calculations would remain, with retrospective amendments to data being made post April.
- 3.7 The impact is significant, meaning that additional bulk processes will have to be amended and tested and re-run across the entire membership. In addition, it means that the current processes and calculations of the annual allowance may be impacted. We are currently in discussions with our software providers to assess the impact and plan accordingly.
- 3.8 Draft [LGPS Amendment Regulations](#) have been published to provide for the proposed changes.

4 Pensions Dashboard Programme

- 4.1 On 21 November 2022, the Department for Work and Pensions made the Pensions Dashboards Regulations 2022. These came into force on the 12 December 2022. These regulations set out requirements for relevant occupational pension schemes to connect to pensions dashboards, and what organisations must do to provide a qualifying pensions dashboard service.
- 4.2 The Fund has attended workshops to discuss the Dashboard Program with its software provider, Civica. Discussions continue over the technical detail and requirements, and the Fund is a member of the Dashboard Working Group to contribute to discussions over the technical detail and requirements.
- 4.3 Additionally, we have engaged with Dorset Council's IT Services to ensure the ISP requirements are in place. Administering authorities must connect to the dashboard eco system within a connection window from 1 September 2024 to 30 September 2024. However, we will be planning our connection date and early application many months before this.
- 4.4 On 16 November 2022, the [Pensions Dashboard Programme](#) (PDP) published its [revised standards](#) for connecting to the dashboard ecosystem. This covers the technical and operational detail that underpins dashboards legislation.
- 4.5 On 24 November 2022 the Pensions regulator (TPR) launched a [consultation on its draft dashboards compliance and enforcement policy](#). This consultation closed on 24 February 2023.
- 4.6 TPR is responsible for ensuring that occupational pension schemes comply with their dashboard duties and the draft policy sets out how they intend to do this. The policy additionally reiterates the powers TPR has to deal with non-compliance which includes compliance notices and penalty notices.

5 McCloud Update

- 5.1 The Fund is currently appointing AON, via the National LGPS Framework, to provide McCloud project management support services.

- 5.2 This will support the Fund in setting up the project, including a Project Charter and initial workstream workshops. The changes to scheme regulations as a result of the McCloud judgement will be a substantial challenge for the team, and this external support will be invaluable for setting up both the initial and longer-term project. Further and on-going support to the Fund, and/or assistance can be provided if required.
- 5.3 On 24 November 2022, HMRC launched a consultation on how pension tax will apply to members protected by the McCloud remedy. The consultation closed on 6 January 2023. The consultation sought views on the draft [Public Services Pension schemes \(Rectification on Unlawful Discrimination\) \(Tax\) regulations 2023](#). The legislation is planned to take effect from 6 April 2023, with some provisions having a retrospective effect.
- 5.4 [The Public Service Pensions \(Exercise of Powers, Compensation and Information\) Directions 2022](#) came into force on 19 December 2022. These directions set out how certain powers in the [Public Service Pensions and Judicial Offices Act 2022](#) must be exercised.
- 5.5 This Act gives relevant government departments powers to rectify McCloud discrimination. This includes, for example, the powers of an administering authority to pay compensation by paying additional benefits and how interest should be calculated.

6 Consultation on SAB Cost Control Mechanism

- 6.1 On 30 January, DLUCH launched a [consultation](#) regarding proposed changes to the LGPS (England & Wales) Scheme Advisory Board (SAB) cost control mechanism, which includes some draft amendments to the LGPS (E&W) Regulations. The consultation closes on 24 March 2023.
- 6.2 The legislation governing LGPS (E&W) is unusual in that there is a scheme specific Scheme Advisory Board (SAB) cost control mechanism which is applied at scheme-wide valuations, and which can result in changes to benefits and/or member contributions. This is in addition to the HMT cost control mechanism which applies to all the major UK public service schemes.
- 6.3 The first scheme-wide valuation in 2016 highlighted issues with the mechanisms in place, with outcomes being questioned which has led to the non-implementation of the initial outcomes and recommendations. The 2016 valuation was finally concluded in 2021, recommending no change to scheme benefits. The process is currently subject to a judicial review which includes looking at the way McCloud costs were factored in to the 2016 valuation.
- 6.4 The consultation proposes changes to the SAB cost control mechanism as follows:
- Confirmation that scheme-wide valuations are to be required every four years rather than every three.
 - Introduction of additional flexibility, so that under the SAB cost control process recommendations may be made by SAB to bring the scheme back 'to or towards', rather than just 'to' the target costs.

- Abolition of the cost corridor under the SAB cost control process i.e., the plus or minus 2% corridor set out in the LGPS Regulations will disappear altogether.

6.5 My initial view is that the proposed changes appear reasonable in providing more flexibility for the SAB to make sensible recommendations to make changes to (or recommend no change) the Scheme following the 4 yearly valuations, and there is less risk of perverse outcomes being triggered once any interaction with the HMT mechanism is taken into account.

7 New Ministerial appointments confirmed

7.1 It has been confirmed that [Lee Rowley MP](#), the new Parliamentary Under Secretary of State in the Department for levelling Up, Housing and Communities, has taken over ministerial responsibility for the LGPS.

7.2 [Laura Trott MP](#) was appointed Parliamentary Under Secretary of State at the Department for Work and Pensions (DWP) in October. In November it was confirmed that she will have ministerial responsibility for pension policy.

8 Overseas Existence Checks

8.1 A project is underway, working with Western Union, to complete Existence checks on all overseas pensioners, full details of the project plan were provided in the administration report for the PFC in November 2022.

8.2 As of 27 February 2023, only 40 members living abroad were outstanding in completing the necessary checks. A final communication letter was sent in February 2023. Should any members remain outstanding by the end of March 2023, pensions will be suspended from March 2023.

9 Confirmation of Annual Revaluation and Pensions Increases (PI)

9.1 On 20 February 2023, HM Treasury (HMT) published a written ministerial statement confirming the rates of annual revaluation and pensions increases (PI) due to apply in April 2023.

9.2 The statement confirms that public service pensions will increase by 10.1% on 10 April 2023, in line with the Consumer Price Index (CPI).

9.3 In addition, annual revaluation of 10.1% plus any local addition, (this is not applicable to the LGPS) will be used to revalue the 2014 CARE accounts in April 2023.

10 The Pension Regulator's (TPR) Governance and Administration Survey

10.1 The Fund completed and submitted this annual survey by the deadline of 17 February 2023. The completed survey is attached at Appendix 2.

11 Financial Implications

N/A

12 Climate Implications

None

13 Well-being and Health Implications

None

14 Other Implications

N/A

15 Risk Assessment

15.1 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 (November 2022 to January 2023)

Appendix 2 - TPR Governance and Administration Survey 2022-23

18. Background Papers

[LGPS Regulations 2013](#)

[Cost cap valuation of the Local Government Pension Scheme \(England and Wales\) - GOV.UK \(www.gov.uk\)](#)

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

[LGPS Scheme Advisory Board - Scheme Annual Report \(lgpsboard.org\)](#)

[Summary of key policies: Draft Pensions Dashboards Regulations 2022 - GOV.UK \(www.gov.uk\)](#)

[Pensions dashboards standards consultation | Pensions Dashboards Programme](#)