

# **Pensions Fund Committee**

**13 June 2023**

## **Pensions Administration**

### **For Review and Consultation**

**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 change to the Revaluation Date
- SCAPE Rate change
- Pensions Dashboard Programme Update
- McCloud Update
- Overseas Existence Checks
- Spring Budget
- Death Grant policy changes
- End of Year Processes

#### **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 February 2023 to 30 April 2023.

2.2 The positive impact of new staff is evidenced, with over 900 deferred benefits completed in the last quarter as opposed to 127 previously. Currently over 2,700 are waiting to be checked, these have been completed by the new staff members. This means that we should be on track to clear the accumulated back log of deferred benefits before the impacts of McCloud are felt.

## **3 LGPS change to Revaluation Date**

3.1 On 9 March 2023, the Department for levelling Up, Housing and Communities (DLUHC) laid the [LGPS \(Amendment\) Regulations 2023](#). These regulations move the annual revaluation date from 1 April to 6 April and were effective from 31 March 2023. Details of the background to this change were outlined in the Administration report of 14 March 2023.

3.2 This has created additional work for the team and changes to our software will follow in due course, with the most significant impact being to the calculation of the annual allowance.

## **4 SCAPE Rate change - impacts**

4.1 On 30 March 2023, the Government published its response to the June 2021 consultation on the methodology used to set the SCAPE rate (superannuation contributions adjusted for past experience) and [ministerial statement](#) to confirm the position. Further information about the consultation can be found [here](#).

4.2 The new SCAPE rate will be used for calculating the employer contribution rates in the unfunded public sector schemes. It is anticipated that this new rate will result in significant increases in employer contributions for these schemes, the cost of which will be met by HM Treasury for some, but not all of those impacted.

4.3 The LGPS will be impacted because the change in the SCAPE rate will result in changes to GAD factors. As there will be a delay in the provision by GAD of these factors, certain calculations must be paused, causing a need to stockpile some work areas, until the new factors arrive, and the potential for complaints where members are impacted. Work areas impacted are as follows;

- CETVs for Divorce. This issue has been highlighted in the national press because of the impact to public sector members needing to provide, within set time scales, pension values for court proceedings.
- Non-Club transfers in and out (depending in the relevant date and guarantee period) and some types of Interfund (LGPS) transfers.
- Refunds of pension contributions. Although the calculation of a refund is not impacted, the LGPS regulations require that we provide a CETV to all members eligible for a refund. Therefore, we have been instructed to suspend these as well.

4.4 It is important to be aware of these impacts as this will create issues for the team in managing work and members, and then dealing with the catch-up position later in the year. Once the factors are received, some transfers we will be required to compare the calculation with the old factors, and provide the transfer quoted as the higher or either calculation. LGPS transfers in general are time consuming and complex, and have been subject to numerous additional legislative changes, with more guidance to follow shortly.

## 5 Pensions Dashboard Programme

5.1 The DWP has [announced delays](#) to dashboard connection deadlines due to the challenges in developing the digital architecture. It is not yet clear how connection deadlines for public sector schemes will change. Work and planning continues as normal.

5.2 Engagement with the Pensions Dashboard Programme continues. Due to the high costs materialising from the ISP provision, the DCPF will utilise the National LGPS Framework to ensure we get the best value provider.

## 6 McCloud Update

6.1 Software. The Fund's software provider has delivered phase 1 of the McCloud remedy. This indicates that approximately 17,772 members are in scope for rectification, and approximately 16,000 will need their service verified.

6.2 **Project Plan.** Work has begun with AON, our project managers for McCloud. A Project Charter for McCloud implementation has been completed. The Project Charter details the project management and oversight, Workstreams, deliverables, anticipated timetables and the Risk Log. A member of the Local Pension Board will be invited to attend the Project Management Group meetings.

6.3 **Data Workstream.** Ensuring the necessary data is obtained to calculate and communicate the correct historic and future benefits following the regulatory changes.

6.4 **Communications Workstream.** Covering all McCloud related communication requirements to members and employers during all phases of the implementation project, as well as those required for ongoing administration.

- 6.5 **Benefits Rectification Workstream.** calculating members' 2014 Scheme and 2008 Scheme benefits at their underpin date and/or underpin crystallisation date (for the remedy period) for those members who have ceased to be active members of the Fund since 1 April 2014, e.g. deferred, death, retirement, transfer out, aggregation. Calculating, recording and communicating any amounts required by "McCloud" legislation and best practice (e.g. provisional assumed benefits, provisional underpin amount, final underpin amount), applying and paying (where appropriate) backdated benefits.
- 6.6 This workstream will also include identification of any other historic events in the period from 1 April 2014 to the effective date, e.g., transfers in and divorce cases that require rework as a result of the remedy legislation. Complex cases may be dealt with by a separate "Specialist areas" workstream
- 6.7 **Ongoing Administration Workstream.** Adapting processes and working practices to ensure the new underpin calculations are carried out for future cases. Testing new software calculations, amending output statements to ensure members understand their calculations.
- 6.8 **Specialist Areas.** Covering complex areas such as annual and lifetime allowance calculations and pension Share on Divorce calculations, Ill Health retirements etc
- 6.9 **McCloud Regulatory and Guidance Updates:** On 6 April 2023, the Department for Levelling Up, Communities and Housing (DLUCH) published their [response to the consultation on amendments to the underpin](#). Published alongside this was a [factsheet summarising the remedy for members](#). DLUCH expects to launch a further consultation this spring to seek views on:
- issues that, because of the consultation responses, they have not yet made a final decision on (such as aggregation and flexible retirement),
  - issues not included in the original consultation (such as compensation, interest and excess teacher service), and
  - updated draft regulations
- 6.10 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.
- 6.11 DLUCH will finalise the regulations after considering the responses to the further consultation. These will come into force on 1 October 2023, with backdated effect to 1 April 2014.
- 6.12 On 3 March 2023 the Scheme Advisory Board (SAB) published guidance to assist administering authorities with data issues by setting out options to consider for cases where employers have been unable to provide the required data. This can be used, together with the legal advice provided by Eversheds on McCloud data issues, by authorities setting their own policy approach.

- 6.13 On 30 May 2023 DLUCH issued a consultation on the [McCloud remedy in the LGPS – supplementary issues and scheme regulations](#). This consultation seeks views and technical comments on the following areas;
- Aggregation – proposed changes to previously proposed underpin qualification.
  - Club Transfers – a change to previous proposals connected to eligibility between public sector schemes.
  - Flexible Retirement – will prove to be a complex area with both a retrospective second underpin date and proposed treatment for partial flexible retirement.
  - Divorce – how pension debits are reflected in underpin calculations.
  - Injury Allowances – no special consideration required.
  - Excess Teacher Service – excess service to become pensionable in the LGPS rather than the Teachers Scheme
  - Compensation – payment and application
  - Interest – retrospective payments and compensation

## **7 Overseas Existence Checks**

- 7.1 This project, run in partnership with Western Union, is now concluded. The final picture confirms to us the value of the project, and it seems that, unsurprisingly, the global pandemic has resulted in far more pensions being suspended or closed than when the review was last conducted in 2017. The 2017 review was the first ever conducted by the Dorset County Pension Fund (DCPF). A further review was due in 2020, but this was not possible during the pandemic.
- 7.2 In total 3 members were reported as deceased as a result of this communication, and a further 18 pensions remain suspended. These pensions have been suspended due to non-communication by the member or family. They will remain suspended for a period of 12 months, after which the Fund will assume the members are deceased. The total number of pensions we ceased to pay following the 2017 review was 9.
- 7.3 In all the cost of this project was more than covered by the value of the suspended pensions and the sums recovered as overpaid pension from the three members reported as deceased.
- 7.4 The project will run again in three years time.

## **8 Spring Budget 2023**

- 8.1 On 15 March 2023, the Chancellor of the Exchequer delivered his Spring budget. The Finance (No.2) Bill 2022/23 was published on 23 March 2023. This takes effect from 6 April 2023. This proposes to enact some of the changes announced at the Spring budget, changes relevant to LGPS members in particular are;
- Increase in the Annual Allowance from £40,000 to £60,000
  - Increasing the adjusted income level for the tapered annual allowance to £260,000

- Abolishing Lifetime Allowance (LTA) charges arising in relation to benefit crystallisation events (BCE) occurring after 6 April 2023
- Changing the taxation of the LTA excess lump sum to the members marginal rate, rather than at 55%
- The LTA will be abolished completely from the 2024/2025 tax year through a future Finance Bill

## 9 Death Grant Policy Changes

- 9.1 The DCPF is changing its approach to the payment of discretionary death grants following both national issues raised by other LGPS funds, and the increase in risk and complexity we have experienced over the past few years.
- 9.2 Legal advice is regularly sought to assist the Fund with its responsibilities in regard to this discretion, and tighter procedures are now in place. The Fund will work with its lawyers to draw up a full new policy to assist the Fund and the administration team in managing this entire area, and I hope to have this in place by the end of the year.
- 9.3 Failure to properly exercise this discretion, has been added to the Fund's Risk Register to ensure this risk is known and monitored going forward.

## 10 End Of Year Process 2023

- 10.1 The End of year processes for 2023 are now largely complete. CARE pay is posted for all members, we are now working through queries with employers. Once this is complete, we will be able to apply the Revaluation to member accounts. We are on track to meet our statutory deadlines.
- 10.2 Employer engagement was very good, with the majority of returns submitted by the deadline of 30 April. Only 5 employers submitted late returns. The number of financial penalties for late submission, non-notification of joiners and leavers is significantly lower than last year.
- 10.3 The new system and improved monthly data returns has made a significant impact, and we are confident that our data is of a very high standard.
- 10.4 A summary of key items is as follows;
- **Total employer returns posted 159**
  - **Total active members 24,020**
  - **Total CARE pay posted £502,135,219**
  - **Total contributions posted £128,426,868**
  - **Total queries 5,727**

## 11 Employer Movements

- 11.1 Below is the most recent new and exiting employers from the Fund.

New admitted bodies		
Name	Date admitted	Service

Schools Plus Ltd	20/02/2023	School lettings – Bourne Academy
Wessex Museums Trust	01/04/2023	Wessex Museums Partnership

<b>Cessations</b>	
<b>Name</b>	<b>Date Ceased</b>
Stour Valley Poole Partnership (Returned to BCP)	01/04/23

**12 Financial Implications**

N/A

**13 Climate Implications**

None

**14 Well-being and Health Implications**

None

**15 Other Implications**

N/A

**16 Risk Assessment**

16.1 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 (February 2023 to April 2023)

**18. Background Papers**

[LGPS Regulations 2013](#)

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

[\*\*LGPS \(Amendment\) Regulations 2023\*\*](#)

[\*\*ministerial statement\*\*](#)

[\*\*response to the consultation on amendments to the underpin.\*\*](#)

[\*\*'McCloud' remedy in the LGPS – supplementary issues and scheme regulations - GOV.UK \(www.gov.uk\)\*\*](#)