

Pensions Fund Committee

19 September 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
- Annual Benefit Illustrations 2023
- Scheme Annual Report 2022
- Government Consultation on LGPS Investments and Pooling
- Gender Pensions Gap report
- McCloud Update
- Pensions Dashboard
- Apprenticeship and qualifications: next steps 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 May 2023 to 31 July 2023.

2.2 Added this quarter is the previously recorded quarter for reference. In addition, I have split out transfers to separately show interfund transfers, (those between LGPS Funds) and non-interfund transfers. This shows good results for the non-interfund transfers. Transfers between LGPS funds have built up over recent years following the system change, but delays in this category do not impact member benefits, priority is given to other types of transfers where guarantee periods may apply that could have a negative impact to members. A plan is in place to address the backlog of interfund transfers; however, this area remains a low priority given the regulatory changes soon to be in place with McCloud.

2.3 Please note the exceptional performance (see total process completed and worked on) by the team this month who have been working to clear back logs and address data cleansing for McCloud.

3 Annual Benefit Illustrations 2023 for Active and Deferred Members

3.1 I can confirm that 23,066 Annual Benefit Illustrations (ABIs), attached at Appendix 2, were issued on 17 August 2023, ahead of the statutory deadline to active members.

3.2 An annual newsletter, see Appendix 3, containing essential updates and information for members, was issued with this statement.

3.3 Statements to 21,453 deferred members were issued on 7 July 2023, attached at Appendix 4. In addition, 28 ABIs were issued to deferred councillor members.

3.4 Despite the enormity of this project, and the complexity of the data extracts, this process was extremely successful this year, and the statements were well received by members.

3.5 ABIs for deferred members cannot be issued where a current address is not held. Additionally, all scheme active and deferred members have ABI statements uploaded to the Member Portal.

3.6 This is a particularly important statutory requirement for the Fund. It serves several purposes that benefit the Fund, members and employers. In the current financial climate, it provides valuable information to members who may feel some pressure to opt out of their pension scheme. Benefits include:

- Awareness of scheme benefits to members.
- A reminder of any death grant nominations made.

- A check of the pay data provided by the employer used to calculate pension accrual in the last year.
- A check that essential data requirements, such as address and marital status, are up to date and correct.
- A reminder of pensions tax impacts for high earners.
- Ensuring the Fund's data is up to date and correct, meeting requirements set out by the Pension's Regulator, and contributing to the high quality of data held.
- Highlighting important changes to the LGPS and/or associated regulations, for example the forthcoming regulatory changes due to the McCloud judgement.

4 Scheme Annual Report 2022

4.1 On 28 June 2023, the Scheme Advisory Board (SAB) published its tenth [Annual Report](#) for the Local Government Pension Scheme (LGPS) in England and Wales. The LGPS is one of the largest defined benefit (DB) schemes in the world and is the largest DB scheme in England and Wales with 14,992 active employers, 6.39m members and assets of £369bn.

4.2 The aim of the report is to provide a single source of information about the status of the LGPS for its members, employers, and stakeholders. Highlights of the report for 2022 are:

- LGPS membership increased slightly (2.6%) to 6.39m members.
- Total assets in the LGPS increased to £369bn, an increase of 7.8%. These assets were invested in pooled investment vehicles, (67%), public equities (12%), bonds (3%), direct property (3%) and other asset classes (15%)
- The return on investment over 2021/22 was 8.1%.
- The scheme maintained a positive cash flow-flow position overall.
- Over 1.95m pensioners were paid over the year.

5 Government consultation on LGPS investments/pooling

5.1 On 10 July the Chancellor announced during his [Mansion House speech](#), a Government consultation on LGPS investments/pooling policy.

5.2 On 12 July HM Treasury published further information [here](#), and DLUCh launched a [consultation](#), which closes on 2 October 2023. The consultation seeks views on proposals in five areas:

- **Pooling:** a deadline of 31 March 2025 for funds to transition all listed assets to their pool and a move to fewer, larger pools, each with assets in excess of £50 billion, to maximise benefits of scale.
- **Levelling up:** requiring that funds have a plan to invest up to 5 percent of assets to support levelling up in the UK.
- **Private Equity:** an ambition to increase investment into high growth companies via unlisted equity.

- **Investment consultants:** regulations to implement the requirements set out in an order made by the Competition and Markets Authority in respect of the LGPS.
- **Definition of Investments:** a technical change to the definition in the LGPS Investment Regulations 2016.

6 Pensions Gender Pensions Gap Report

- 6.1 In January 2023, the Government Actuary's Department (GAD) produced its [report](#) to the Scheme Advisory Board on the gender pensions gap.
- 6.2 This identified a substantial difference between the average level of pension benefit built up by male and female scheme members. The difference is 34.7% for benefits in the CARE scheme, and 46.4% for benefits in the final salary scheme. For benefits in payment, the difference is even greater at 49%.
- 6.3 While this indicates some progress towards equality, the Board asked GAD to explore these gender gaps in more detail. The request asked for focus on career patterns, part time working, differences relating to employers and a comparison to the [LGA's 2019 gender pay gap report](#).
- 6.4 In June 2023, [GAD provided their findings](#), which makes an interesting read. This concluded that there was no simple answer. There seems to be a complex interaction between the types of work that women do, their career patterns (including part-time working and career breaks) and their ability to progress their careers after taking on childcare or other caring responsibilities.
- 6.5 The SAB has decided to set up a small working group to consider next steps which would include looking at, amongst other issues, any potential in scheme changes and member communications.

7 McCloud Update

- 7.1 **Software.** We are working closely with our software providers to develop the necessary technical software for the McCloud implementation. This includes regular meeting to discuss updates, deliveries, reports and technical requirements. A small team is working on testing the underpin calculations as they are developed, these calculations are complex.
- 7.2 We are on a fast-track delivery timetable and hope to be largely ready for compliance with the new regulations on 1 October. However, the extensive testing and overall complexity means that the software providers will not have delivered all requirements by October which was expected. It is important for the team dealing with business as usual to be able to understand the new requirements, calculate and check underpin amounts manually, and find work arounds where known errors or gaps exist.
- 7.3 **Data.** Our current testing of underpin calculations has illustrated the importance of correct data, specifically a history of contractual hours and service breaks for the underpin period. This has to be provided by employers,

and it is this aspect of the planning and preparation that is proving most challenging for administering authorities.

- 7.4 In all, we require 299 reports from various employers and payroll providers to cover all members. 120 of these have been received and are completed. Currently we have 109 that we know we will not be getting any data for. This could be for reasons such as payroll provider change or a now non-existent employer. In these cases, we apply a formula to the full time and part time pay to give estimated hours. This is not ideal or accurate for many reasons, however, it is the only way to update data to get as near as possible to accuracy. This approach is detailed in the SAB guidance, [Service data for the McCloud remedy](#).
- 7.5 All other employer data is either outstanding or is being worked on. In many cases the employer data provided is problematic, and we are working with these employers to ensure their data is accurate. There is a cutoff point beyond which we have stated we cannot accept data, and for any cases of non-receipt of data the same estimated methodology as outlined above will be used.
- 7.6 At least two members of staff have been working continuously on updating data and clearing data errors for several months now, there were 17,100 members to update and 8,410 members have now been completed. Each of these members represent multiple lines of service needing amending. Four additional members of staff will be moved onto the data cleansing project for a temporary period in September, with the hope that as many lines of service history will be as accurate as possible before business as usual and benefit rectification work commences in October.
- 7.7 I would like to record the exceptional hard work of the team in preparing, updating and checking our data ahead for McCloud readiness. This has not been easy due to the timescales and difficulties for employers in providing accurate data. The team have worked with the software providers and colleagues nationally updating and testing reports and calculations. As a result, the DCPF is in a very good position ahead of what will be a challenging time once the new regulations are in place.

8 Pensions Dashboard

- 8.1 The Department for Work and Pensions (DWP) has laid the [Pensions Dashboards \(Amendment\) Regulations 2023](#) [S12023/858].
- 8.2 A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect. This is based on their size and type.
- 8.3 The Pensions Regulator (TPR) has updated its [Failing to comply with dashboards duties](#) guidance. The purpose of the update is to outline what schemes will need to do to demonstrate that they have regard to the staging timetable.

9 Apprenticeship and qualifications: next steps survey

9.1 Professional qualifications, specific to the Local Government Pension Scheme administration have been provided by the Chartered Institute of Payroll Professionals (CIPP). The Dorset County Pension Fund has used this for its staff over many years, and it has been invaluable. However, this organisation is no longer providing these LGPS specific qualifications.

9.2 As a result of this significant gap in relevant qualifications suitable for administering authorities, the LGA is looking at ways to assist in accessing relevant pensions administration apprenticeship and qualifications. They have been researching how best to do this and have put together an [LGPS apprenticeship and qualification proposal](#) setting out their plan for England and Wales. They have invited views through inviting administering authorities to complete a next steps survey.

9.3 The proposed approach will involve significant resource from the LGA pensions team. Therefore, the proposal will only proceed if 75% of administering authorities agree in principle. The DCPF has completed the survey and gives full support to the proposal set out by the LGA.

10 Financial Implications

N/A

11 Climate Implications

None

12 Well-being and Health Implications

None

13 Other Implications

N/A

14 Risk Assessment

14.1 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 May 2023 to 31 July 2023)

Appendix 2 – DCPF Annual Benefit Illustration 2023

Appendix 3 – DCPF Newsletter 2023

Appendix 4 – Deferred Annual Benefit Illustration (ABI) 2023

18. Background Papers

[LGPS Regulations 2013](#)

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

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

[LGPS Scheme Advisory Board - Scheme Annual Report 2022 \(lgpsboard.org\)](#)

https://lgpsboard.org/images/Reports/2023/GADGenderPensionGapReport_Jan2023.pdf

[The Pensions Dashboards \(Amendment\) Regulations 2023 \(legislation.gov.uk\)](#)