

Pensions Fund Committee

26 November 2024

Pensions Administration

For Review and Consultation

Local Councillor(s): All

Executive Director: A 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

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
- McCloud Update
- Autumn Budget 2024
- Communications Annual Update
- Employer Support Annual Update
- Employer Movements

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 01/08/2024 - 31/10/2024. The previous quarter is included for reference.
- 2.2 Annual Report – Each year certain KPIs are reported in the Fund’s Annual Report. I have provided below those to be published this year and have included last years for reference. This reflects the continued high standards despite the challenges of McCloud.
- 2.3 The percentage completed within the benchmark for deferred benefits has decreased from 87.22% during 2023 to 41.92% during 2024. The number of deferred benefits tasks completed in 2024 rose to 4,487 from 1,408 in 2023 which is a 119% increase in volume. The delay has no detriment to the members and readers of the report will see in their quarterly KPI's that for the last two quarters the deferred benefits performance is over 95%.
- 2.4 The Annual Report guidance has recently been updated and includes some changed reporting requirements; this will be included in the 2024/25 Annual Report.

Process	Fund KPIs	Legal Requirement	2023		2024	
			Number of cases completed in year	% completed within Benchmark	Number of cases completed in year	% completed within Benchmark
Deaths - Calculate and notify amount of dependent's benefit	15 days	2 months	454	92.07	306	93.14
Estimates - Letter notifying estimate of retirement benefits	15 days	2 months	884	93.44	1,063	97.46
Retirements - Process and pay lump sum retirement grant (including all retirement types)	10 Days	2 months	1394	78.98	1,485	96.5
Deferment - Calculate and notify deferred benefits	40 Days	2 months	1408	87.22	4,487	41.92
Transfers in - Letter detailing transfer in quote	15 Days	2 months	276	93.12	154	96.1
Refund - Process and pay a refund	15 Days	2 months	587	100	628	99.84
Joiners - Send notification of joining the LGPS to scheme member	30 Days	2 months	5028	100	4,520	99.89
Divorce - estimates for divorce purposes processed	15 Days	2 months	164	98.17	185	91.89
General Correspondence	15 Days		6576	98.98	5,348	99.68

3 McCloud Update

- 3.1 The first stage of the essential software delivery is now in our Test system and is undergoing User Acceptance Testing (UAT) by the team. I do not expect this to be delivered into the Live system until early January. Current timescales suggest the second software delivery should be available into our Test system early next year.

4 Autumn Budget 2024

- 4.1 The budget was fairly light on changes to the pensions system overall, possibly because of the separate and on-going pensions review. Despite rumors, there was no change to the annual allowance, or tax-free lump sum allowances or tax relief for pension contributions.
- 4.2 The government did announce that it will bring unused pension funds and death benefits payable from a pension into a person's estate for inheritance tax purposes from 6 April 2027. This will impact the tax-free death grants the LGPS pays which currently do not fall under inheritance tax rules. Dependent pensions will not be impacted. We will need to wait to see what changes may occur to the LGPS regulations specifically regarding the administering authority discretion in payment of a death grant, and whether the ability to make a nomination (Expression of Wish) will remain, go or change. Further details will be available in due course.
- 4.3 The increase in minimum wage will have a positive impact to pensions adequacy moving forward.
- 4.4 Unspent pensions will also now be subject to inheritance tax. This aspect will not apply to the LGPS but is more relevant to defined contribution schemes.
- 4.5 There is currently a [consultation process](#) looking at the technical details of these changes and seeks views on the processes required to implement them. The consultation runs from 30 October 2024 to the 22 January 2025. The consultation includes an annex setting out which benefits are in and out of scope. Following the consultation, the government will issue a response and draft legislation subject to further technical consultation.
- 4.6 A further change announced in the budget impacts transfers to a QROPS (Qualifying Recognised Overseas Pension Schemes) in the European Economic Area or Gibraltar. From 30 October 2024 these types of transfer are no longer excluded from the overseas transfer charge, and instead will be covered by the same rules as transfers to other countries. Some [exclusions](#) apply.

5 Communications Annual Update 2024

- 5.1 Effective Communications are essential to the pensions administration service. Members struggle to understand pensions, and the LGPS is a particularly complex scheme. There is a high level of confusion due to public messaging, in the press and in advertising around defined contribution schemes, which are very different to the defined benefit pensions we see in the public sector.
- 5.2 To ensure members understand as much as is possible, and that they make the right decisions regarding this important financial aspect of their lives, careful and considered communications are essential.

5.3 I will provide an annual update through this report to confirm actions taken and provide data updates on member communication.

5.4 **Whole fund written communications to home address – 2024**

July 2024	Deferred member annual benefit statement
August 2024	Active member annual benefit statement
August 2024	Annual Newsletter for active scheme members
December 2023	Letter to all members identified as in scope to notify of the new McCloud regulations (statutory requirement)
April 2024	Annual newsletter to pensioner members included with April payslip.

5.4.1 **Pensioner Members** - Payslips are normally only issued to pensioners where the net payment changes by more than £5.00 from the previous month. All pensioners receive a payslip in April when the annual newsletter and P60 is issued, and the annual indexation is applied.

5.4.2 Pensioner members can access the member portal. Functionality is currently limited to address, bank and nomination change. However, once the payroll is fully integrated within the main pension's software, pensioners will be able to access payslips and P60s online.

5.5 **Online Member portal** is available to all members, with active and deferred members being able to view their records, update address and nomination details and run retirement estimates. In addition, documents can be uploaded and messages sent through the portal.

5.6 **Member Engagement and Services**

Member Portal as of 31 March 2024	
Active members registered	29.07%
Deferred members registered	18.31%
Pensioners and Survivor members	16.90%
Total of all scheme members registered	21.25%
Number of messages received via portal	1246

5.7 **Expression of Wish (Death Grant Nomination) received**

Active members	43.71%
Deferred members	44.92%
Pensioner members	68.45%

5.8 **50/50 Scheme**

- 5.8.1 The 50/50 section of the scheme allows members to elect to pay half the normal pension contribution, to accrue half the normally accrued pension benefit. Full ill health and death benefits are retained. This option was brought in with the new 2014 scheme in recognition that the LGPS had the lowest take up of any public sector scheme (at about 75% of those eligible) and that it was a low paid sector.
- 5.8.2 The aim was to prevent members opting out completely, and therefore not having any pension savings or family protection. However, take up is not high with just 1.06% (285 members) of active employments being in the 50/50 section. Of these, a small number are high earners choosing the 50/50 section to lessen their pension growth and any possible impact on the annual allowance. The vast majority are female members (73%) and those in receipt of an income of less than £30,000 (55.67%).
- 5.9 Optants Out**
- 5.10 It is very hard for us to know how many people eligible to join the LGPS have chosen not to join as this information is only accurately held by employers. Members not in the scheme could have opted out or be a casual employee who has not elected to join.
- 5.11 We have discussed this issue with our employers and have launched our own survey to gather data from our Dorset employers. I will share the results once available in this report and with the LGA who are currently looking at the same data nationally.

6 Employer Support – Annual Update

- 6.1 The Employer responsibilities for the LGPS are significant, and this presents a very real challenge to LGPS employers, with resources, knowledge and understanding being the main issues.
- 6.2 Without the employer's accurate provision of information however, members would not receive the right amount of benefits, and our data and records would be in doubt. It is therefore essential that employers are supported as much as possible. The Dorset Fund has excellent employer support services, and a dedicated team who have built up good relationships with our varied employers. The Fund provides;
- An Employer Support Team who can be contacted during working hours by phone or email
 - A secure online portal to submit data, which links directly into our workflow, and enables the exchange of data and queries between the fund and employer. It also supports the employer by detailing work that needs to be completed and has helpful, easy to use forms to ensure accurate data submission
 - A bespoke employer website, providing a wealth of training and process documents, forms, policies and 'how to' information
 - Monthly Employer Updates, notifying employers of the latest LGA bulletin and highlighting current reminders and need to know essentials. An example is attached at Appendix 2.
 - A dedicated email inbox
 - Training as listed below

Employer Meetings (known as Pension Liaison Officers Group PLOG)	3 times a year, providing technical updates, training and support
Employer Training events	19 free training events were held in the year to 31/03/2024, covering the following topics; <ul style="list-style-type: none"> • Employer Responsibilities • Pensionable Pay • End of Year processing • Monthly Returns • How to use the Employer Portal
Total emails to and from the LGPS employers' inbox (year to 31/03/2024)	Received: 2,174 Sent: 2,748

7 Employer Movements

7.1 Below is an update of recent new employers within the fund.

Admitted Body	Date Joined	Service
Aspens Catering	01/09/2024	Catering services for Sherborne Area Schools' Trust
Hayward Services Limited	01/09/2024	Cleaning services for Sherborne Area Schools' Trust
Cleverchefs Ltd	01/09/2024	Catering services for Pickwick Academy Trust
Cucina Restaurants Ltd	01/09/2024	Catering services for Livingstone Academy Bournemouth (Aspirations Academy Trust)

8 [Financial](#) Implications

N/A

9 [Climate](#) Implications

None

10 [Well-being](#) and Health Implications

None

11 Other Implications

N/A

12 Risk Assessment

12.1 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 August 2023 to 31 October 2023)

Appendix 2 – Employer Newsletter

18. Background Papers

[LGPS Regulations 2013](#)

[The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023 \(legislation.gov.uk\)](#)

[Technical consultation - Inheritance Tax on pensions: liability, reporting and payment - GOV.UK](#)