

Report to Pensions Committee

28 April 2023

Pension Administration

Report by Director of Finance and Support Services

Summary

The Pension Administration services has been provided by Hampshire County Council since 4 March 2019. The following are highlighted:

- There were 86,759 members in the Scheme on 31 March 2023 and 216 employers actively contributing into the Scheme This is an increase of 2,178 members and 11 employers since 31 March 2022.
- Over the quarter ending 31 March 2023, 2,241 casework items were completed by the team and a total of 8,924 casework items completed by the administrators over 12 months to 31st March 2023. All casework items were completed with the service level timescales. On 31 March 2023, 754 casework items were in progress with the team, employers, members or other third parties (a reduction from 786 on 31 December 2022).
- The Member Portal was set up in 2019 when the services transferred to Hampshire Pension Services and 48% of members have now registered to access and are therefore able to update their personal details, access to Annual Benefit Statements, run retirement estimates or view their payslips online.
- 75% of employers are registered onto Employer Hub which allows employers to view pension records for active employees, inform the team about changes in membership, notify of leavers / starters and run retirement estimates.
- The Spring Budget introduced changes to tax relief on pensions with the lifetime allowance charge being removed and annual allowance being raised to £60,000.
- The administration team have started work to receive end of year returns from employers with active members participating in the Scheme between 1 April 2022 and 31 March 2023. Employers have been asked to provide their return by 30 April 2023.
- HM Treasury (HMT) have confirmed that public service pensions would increase on 10 April 2023 by 10.1%.
- The Government has responded to its [2020 consultation](#) on the McCloud remedy which confirms the underpin period, the period over which the 'best of both' protection will apply, will run from 1 April 2014 to 31 March 2022, or to a member's final salary normal pension age, usually 65, if that is earlier than 31 March 2022. A further consultation is expected "in the coming months" and the final regulations are due to come into force on 1 October 2023 (retrospectively to 1 April 2014).

- The Government led “Pension Dashboard” project is intended to allow individuals to go to a single website and receive details of all the pensions they hold across UK pension providers. The Department for Work and Pensions (DWP) has now announced delays to the implementation of Dashboards.

Recommendation:

The Pensions Committee notes the report.

1 Background and context

- 1.1 Hampshire County Council provides the Pension Administration Service for West Sussex County Council, and they work closely with the West Sussex Pensions Team.
- 1.2 The Pensions Committee has a key objective within its Business Plan to continue improvements in relation to the pension administration service provided to all stakeholders and deliver a high-quality administration service.

2 Membership and employer movements

- 2.1 On 31 March 2023, the Scheme had 86,759 members as analysed below. Membership and movements from 1 April 2022 have been shown as a comparison.

Member Type	1 April 2022	31 March 2023	Movement No.	Movement %
Active	26,825	25,930	-895	-3%
Deferred	34,754	36,843	2,089	6%
Pensioner	23,002	23,986	984	4%
Total	84,581	86,759	2,178	3%

- 2.2 In addition, there are 5,884 records classified as ‘preserved refunds’ (5,824 on 31 December 2022). Preserved refunds relate to those leaving the scheme before reaching a two year ‘vesting period’ threshold and therefore do not qualify for deferred benefits. A project is being scoped to provide options to those with preserved refunds in the Scheme.

- 2.3 On 31 March 2023, the Scheme had 318 employers.

Employer Status	31-Mar-22	31-Mar-23
Active	205	216
No active members	87	102
Total	293	318

Note: The above excludes on employer who is in the process of being admitted.

3 Administration Activity

- 3.1 Appendix A sets out LGPS contributions received over the twelve-month period to February 2023 payroll, casework performance, complaints, and portal access during the period to 31 March 2023.

4 Spring Budget

- 4.1 The Spring Budget introduced changes to tax relief on Pensions.
- The Lifetime Allowance (LTA) charge has been removed from 6 April 2023 and will be abolished in a future finance bill.
 - Annual Allowance will increase to £60,000 from 6 April 2023.
- 4.2 The administration team are assessing the impact of the changes and developing any communication to members as appropriate but do not consider that any leavers prior to 5 April 2023 will be impacted by the changes to Lifetime Allowance.

5 Annual Tasks

End of Year Returns

- 5.1 The team have commenced work on the end of year returns from employers with active members participating in the Scheme between 1 April 2022 and 31 March 2023.
- 5.2 Employers have been asked to provide their return by 30 April 2023 to allow the administration team to reconcile the data provided, update member records and produce Annual Benefit Statements by the Statutory deadline of 31 August 2023.
- 5.3 The data provided by employers is also used by the team to produce Pension Saving Statements for impacted members (required by the 6 October 2023 deadline).

Annual Revaluation

- 5.4 On 20 February 2023 HM Treasury (HMT) published a [written ministerial statement](#) confirming that public service pensions would increase on 10 April 2023 by 10.1%, in line with the consumer price index (CPI) up to September 2022 and that CARE accounts should also be revalued at 10.1% in April 2023.
- 5.5 The pension increase will be applied in full, from 10 April this year, to those members who have been receiving their pension for the whole of the 2022-2023 tax year. It will be pro rata, to those members who retired after the start of this period.
- 5.6 Separately changing to the Scheme regulations have been made to move the revaluation date from 1 April to 6 April. This means that in the tax year 2022/23, the Annual Allowance calculation does not include any Scheme revaluation. From the tax year 2023/24 onwards, the inflationary increase used for the Annual Allowance calculation and the annual revaluation will both use the same CPI figure. For the tax year 2023/24 this will be 10.1%.

5.7 The increase will be applied to deferred benefits and active members CARE pensions as part of the end of year work.

6 Project Work: McCloud

6.1 Reforms made in 2015 to the judicial and firefighters' pension schemes were found by the Court of Appeal in 2018 to have been unlawful based on age discrimination. This ruling, known as the McCloud judgment, impacted all main public service pension schemes, including the LGPS. As a result, every member active in a scheme before the introduction of the career average revalued earnings scheme will be eligible for the higher of either their final salary benefits or the Care benefits accrued since these were introduced.

Regulations

6.2 The Government's response to its [2020 consultation](#) on the McCloud remedy has been [published](#).

6.3 The response confirms:

- The underpin period, the period over which the 'best of both' protection will apply, will run from 1 April 2014 to 31 March 2022, or to a member's final salary normal pension age, usually 65, if that is earlier than 31 March 2022.
- Underpin protection will be expanded and apply to those who were in active service on or before 31 March 2012 and had membership of the career average scheme without a gap in service of five years or more. This ensures members who had taken career breaks are also protected.
- Administrators will compare members' benefits over this underpin period and if a member's pension would have been higher in the final salary scheme, an addition would be payable to the member.
- Underpin protection should be appropriately considered to reflect the range of ways individuals can access their benefit – including where members transfer out, retire on ill-health grounds, receive a redundancy pension, or commute their benefits for a cash payment (where the pension meets trivial or small pot qualifying criteria).
- The underpin will be considered in determining the amount of survivor benefits payable where a qualifying member dies.

6.4 The response acknowledges that the implementation of the McCloud remedy presents a series of challenges for administrators, and it is important that detailed planning and preparation is undertaken to prepare for the changes and Authorities should ensure they have sufficient resourcing plans in place.

6.5 A further consultation is expected "in the coming months."

6.6 The final regulations are due to come into force on 1 October 2023 and apply retrospectively to 1 April 2014, ensuring a single set of rules governing the underpin applies to members who were originally protected and those who are in scope of the McCloud remedy.

Data

- 6.7 Officers are working closely with Hampshire Pension Services to implement the new underpin calculations, engage with members about the changes and work with employers on any identified data issues.
- 6.8 Employers are statutorily required to provide extra data (hours worked and service breaks) for all members in the Scheme. The data has been requested in two tranches (to 31 March 2021 and then 1 April 2021 to 31 March 2022) to allow the team to apply legislative changes to member benefits extending the underpin benefits to eligible younger members.
- 6.9 To date, 206 of 214 completed service/break data sets have been provided by West Sussex employers for 1 April 2014 to 31 March 2022. Initial data checks have been completed on 200 of these. There are queries outstanding with 14 employers.
- 6.10 The team are focused on uploading data sets for those employers with more than 150 members by 30 April 2023, which represents 80% of data sets for 1 April 2014 to 31 March 2021 by 30 April 2023.
- 6.11 The Scheme Advisory Board have provided guidance to assist Authorities where they are unable to collect the data needed to implement the McCloud remedy. It covers both missing data and data the authority is not confident is accurate. This guidance is being considered by the administration team.

Eligibility for LGPS membership Teachers

- 6.12 If someone has a full time and a part time teaching contract these are both pensionable in the 2015 Teachers' Pension Scheme (TPS), but the legacy TPS restricts membership to 100% of full time. Under the McCloud remedy therefore the part time contract would be pensionable within the LGPS (which is the safety net scheme for all public sector workers). The Department for Education (DfE) is working with Local Government Association (LGA) to scope out those affected but current estimates are that 37,000 people nationwide will be impacted (mix of active, deferred and pensioners).
- 6.13 For these members, a new LGPS membership would need to be set up and relevant employer and employee contributions paid to the Fund. Once these members have received their Remedial Service Statements from the TPS and LGPS they will have 12 months to transfer back into the 2015 TPS scheme.
- 6.14 The remedy exercise is going to be administratively challenging for both the TPS and LGPS administering authorities (e.g., adjusting employee and employer contributions / obtaining data to create LGPS member records / adjustments where benefits are already in payment / transfers back to the Teachers' Pension Scheme).
- 6.15 A consultation is expected later this year.

7 Project Work: Dashboard

- 7.1 The Government led "Pension Dashboard" project is intended to allow individuals to go to a single website and receive details of all the pensions they hold across UK pension providers. The original date for implementation was 30 September 2024.
- 7.2 On 24 November 2022, the Pensions Regulator published a consultation on its [Dashboards compliance and enforcement policy](#). Hampshire Pension Services responded to the Consultation on 24 February 2023 and did not feel there were any concerns with any of the proposals or intended approaches to monitoring compliance or issuing penalty notices.
- 7.3 The Department for Work and Pensions (DWP) has since announced delays to the implementation of Dashboards by way of a Written Ministerial Statement reflecting the significant challenges in development the necessary digital architecture.
- 7.4 The expectation is that Dashboard provision will be a supplementary service within the Partnership Agreement with Hampshire County Council.

8 Application of Administering Authority Discretions

Discretion Decisions

- 8.1 The rules of the Local Government Pension Scheme (LGPS) are set out in the LGPS and associated statutory Regulations. However, there are some provisions which are discretionary and West Sussex as Administering Authority can choose how, or if, it applies certain provisions of the Scheme.
- 8.2 During the quarter, the Director of Finance and Support Services and Director of Law and Assurance decided about the payment of a death grant for one member. Having taken account of all the circumstances, it was considered to be unclear, to whom the payment should be made.

Other Decisions

- 8.3 In addition, there are some administration processes which are not formal discretions but are still disclosed to the Pensions Committee as they are more exceptional.
- 8.4 During the quarter five transfer requests to move members pension to an alternative fund were made and approved, by the Director of Finance and Support Services.

9 Breach Reporting

- 9.1 Since the last Pensions Committee meeting, there have been no data breaches notified.

10 Other options considered (and reasons for not proposing)

- 10.1 N/A

11 Consultation, engagement, and advice

- 11.1 N/A

12 Finance

12.1 N/A

13 Risk implications and mitigations

13.1 Risks associated with this report are set out in the risk register for the Pension Fund which is part of the Business Plan at agenda item 7.

14 Policy alignment and compliance

14.1 The Pensions Committee has an overarching objective to build on the improvement journey in relation to the administration and deliver a high-quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due, and payments are made to the right people at the right time, clear communication and robust accounting and reports.

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Appendices

Appendix A - Administration Activity

Background papers

None