



<u>Committee and date</u>	<u>Item</u>
Pensions Committee	<b>13</b>
24 November 2010	Public
10am	

## PENSIONS ADMINISTRATION MONITORING

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### Summary

The report provides Members with monitoring information on the performance of the Pensions Administration Team

### Recommendations

- A. Members are asked to note the report.

### Report

#### Performance

1. The performance chart showing the team's performance to the end of October 2010 is attached at **Appendix A**.
2. The number of procedures completed rose during the last quarter and peaked at over 1,000 during the month of September. Encouragingly the number processed on time also peaked. Towards the end of the quarter the numbers completed dropped but the number outstanding stayed at the same level.
3. The team attended a training day on 15 September 2010 focusing on "The Customer". The day was very well received by all and proved to be extremely beneficial.

#### Communication

4. Annual Benefit Statements have been issued to all active and deferred scheme members. This is the first year that Deferred Beneficiaries received the new booklet format.

5. The feedback received has been very positive. The new format has reduced the number of queries received by the help desk. This also indicates that pension data is 'clean' and accurate.
6. An employer meeting was held on 1 November 2010. Presentations were given on Investments, current issues within Pensions Administration and John Livesey from Mercer (Scheme Actuary) presented on the initial outcomes from the 2010 Actuarial Valuation.
7. Attendance was good and around half of the employers were represented. Those that did attend indicated they found the session to be very worthwhile.

### **Annual Meeting**

8. The Annual Meeting for 2010 was held on Tuesday 2 November 2010. As usual there were 3 meetings, one at Telford and two at Shrewsbury.
9. Presentations were made on Investments, Scheme Administration and the Actuarial Valuation. Jeff Chowdhry, from F&C, gave a very interesting presentation on Emerging Market Equities.
10. As in previous years, attendance at all meetings was excellent. Approximately 300 people in total attended across the 3 sessions.

### **Independent Public Service Pensions Commission**

11. At the last Committee it was reported that the Independent Public Service Pension Commission, chaired by Lord Hutton, had been tasked with conducting a fundamental structural review of public service pension provision and making recommendations to the chancellor.
12. The review was asked to ensure pension arrangements remain sustainable and affordable in the long term for both the public sector work force and the tax payer.
13. Lord Hutton published his interim report on 7 October 2010. The main points of the report:
  - Acknowledged that public service pension schemes are part of the overall remuneration package and have their part to play in the public sector's ability to recruit and retain the best people to deliver vital services. Ultimately, this provides adequate income in retirement which can help them sustain a reasonable standard of living without becoming a burden on the welfare state.
  - Acknowledged that the LGPS does not provide "gold plated" pensions. The average pension in the LGPS is £4,052 per annum.
  - The LGPS should remain a funded scheme.

- **Suggested Short Term Reform**

- i. To increase member contributions but to be managed so as to protect the low paid. If possible, increases in contributions should be staged with a view to preventing a significant increase in the numbers of employees opting out of the schemes.
- ii. Protections for accrued rights.

- **Suggested Long Term Reform**

- iii. Final salary schemes are seen to primarily reward “high flyers” and it is felt that this may no longer provide a robust and fair mechanism for the majority of the public service workforce.
- iv. Fairer sharing of the risks between the employer and employee.
- v. Scheme design must ensure account is taken of longevity.
- vi. Individual Defined Contribution Scheme ruled out and alternative structures to be considered. These include Career Average, Collective Defined Contribution Scheme and other Hybrid Schemes.

## **Public Sector Spending Review**

14. The Spending Review confirms key components of the Coalition Agreement setting out the Government’s objectives and priorities for the Parliament, including commitments to uprate the basic State Pension by a triple guarantee of earnings, prices or 2.5 per cent, whichever is highest, from 2011.
15. As a result of increasing longevity and demographic change the Government will speed up the pace of State Pension Age equalisation for women from April 2016 so that Women’s State Pension Age reaches 65 in November 2018. The State Pension Age will then increase to 66 for both men and women from December 2018 to April 2020.
16. The Spending Review also accepts the findings of the Independent Public Service Pensions Commission (IPSPC) led by John Hutton which published an interim report on 7 October. In response to the Commission’s interim recommendations, the Government will:
  - commit to continue with a form of defined benefit pension;
  - await Lord Hutton’s final recommendation before determining the nature of that benefit and the precise level of progressive contribution required;
  - carry out a public consultation on the discount rate used to set contribution rates in the public service pension schemes;

- implement progressive changes to the level of employee contributions that lead to an additional saving of £1.8 billion a year by 2014-15, equivalent to three percentage points on average, to be phased in from April 2012;
- exempt the armed forces from this increase in employee contributions;
- launch a consultation on the Fair Deal policy, which Lord Hutton noted can create a barrier to the plurality of public service provision and make it more difficult to achieve innovation, to report by Summer 2011, informed by Lord Hutton's final recommendations on structural reform; and
- seek engagement with all stakeholders including trade unions.

### **Tax Relief on Pension Contributions**

17. As individuals receive tax relief on the contributions to a pension scheme, there are certain restrictions set by HMRC. Some of these restrictions will be changing in the next 2 years.
18. HMRC will reduce the Life Time Allowance (the total amount of your pension pot from all pension arrangements) to £1.5 million from April 2012. It is currently £1.8 million.
19. Some protections will be put in place for members with pension benefits already valued over £1.5 million, this may mean they would need to opt out of the scheme.
20. From April 2011 there will be a reduction in the annual allowance to £50,000. This is the limit of increases into the individual pension pot in any one year.
21. Employers will need to inform the Pensions Team of any employees who earn above a certain amount and are taking a large pay rise. This includes temporary promotions. It may also affect any individuals with a significant amount of past service.
22. Members with deferred benefits will not be affected by these measures.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

N/A

**Human Rights Act Appraisal**

The recommendations contained in this report are compatible with the Human Rights Act 1998.

**Environmental Appraisal**

Impossible to quantify.

**Risk Management Appraisal**

Performance is monitored to ensure regulatory timescales are adhered to.

**Community / Consultations Appraisal**

NA

**Cabinet Member**

NA

**Local Member**

NA

**Appendices**

Appendix A – Performance Monitoring

Task Statistics

