

Administration and regulatory updates

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1. **Summary**
The report provides Pension Board Members with the latest administration and regulatory updates affecting the Shropshire County Local Government Pension Scheme (LGPS).

2. **Recommendations**
Pension Board Members are asked to note the contents of this report.

REPORT

3. **Risk Assessment and Opportunities Appraisal**
 - 3.1 **Risk Management**
By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.
 - 3.2 **Human Rights Act Appraisal**
The recommendations contained in this report are compatible with the Human Rights Act 1998.
 - 3.3 **Environmental Appraisal**
There is no direct environmental, equalities or climate change consequence of this report.
 - 3.4 **Financial Implications**
Currently there are no direct financial implications arising from this report.
4. **Local Pension Board Survey**
 - 4.1 On 31 May 2017, the Scheme Advisory Board (SAB) commenced a survey of local pension boards. The survey was undertaken to contribute to a review of the new governance arrangements introduced in 2015 and to establish what is working well about local pension boards and what could be improved or done differently.

- 4.2** The survey was planned initially to run until 28 July but was extended to 29 September due to a lack of responses received. The survey was shared with the chairs of the Pensions Committee and the Board.
- 4.3** Since the survey closed the SAB Secretariat have been collating the results and are due to present a full analysis for the next meeting of the SAB being held on 16 November 2017. The results will be shared with both the Pensions Committee and the Pensions Board when available. In the meantime, the findings on some of the key issues have been shared by the SAB's Investment, Governance and Engagement Sub Committee at their meeting on the 16 October 2017, see **Appendix A**. Full meeting information can be found here:
<http://www.lgpsboard.org/index.php/sub-comms/meetings>
- 4.4** Pension Board Chair Mike Morris completed the survey on behalf of the Shropshire County Pension Fund. The survey response can be requested from the Pensions Team.

5. Scheme Advisory Board (SAB) consultation on academies objectives

- 5.1** The SAB have recently undertaken a consultation on the development of options for academies. The consultation was open to all interested parties and closed on 29 September 2017.
- 5.2** The proposed draft objectives that the SAB were seeking views upon are as follows:
- Protect the benefits of scheme members through continued access to the LGPS
 - Ring fence local taxpayers and other scheme employers from the liabilities of the academy trust sector
 - Improve the efficiency and effectiveness of administrative practices
 - Increase the accuracy and reliability of data
- 5.3** However, in achieving the objectives, the SAB do not believe the changes should:
- Significantly alter cashflow at the fund level
 - Significantly alter assets at the pool level
- 5.4** The SAB Secretariat will prepare a report for the next SAB meeting to be held on 16 November 2017. Once Shropshire County Pension Fund is in receipt of this report, it will be shared with the Pensions Board.

6. Auto Enrolment - Transitional Delay

- 6.1** For any employers in the LGPS who used auto enrolment transitional delay, this period came to an end on 30th September 2017. An anomaly of transitional delay means that an employer cannot automatically enrol an eligible jobholder who opted out more than 12

months before the transitional delay assessment date of 1 October 2017. Shropshire County Pension Fund has notified employers of this date and referred them to the transitional delay guidance on The Pension Regulator's website.

7. Changes to Early Retirement Strain costs

- 7.1** Following completion of the actuarial valuation of the Shropshire County Pension Fund as at 31 March 2016, the Fund, following the advice of the Actuary, has decided to review the factors currently underlying the calculation of Early Retirement Strain costs.
- 7.2** The factors currently used in the Early Retirement Strain costs calculation tool were last updated following the 2013 actuarial valuation. The review which has now taken place will increase strain costs by 5% in relation to an early retirement. Although employer strain costs will increase slightly, paying the higher amount reflects more closely the underlying funding cost of an individual retirement. It therefore means that there is less chance of these costs giving rise to additional deficits (and additional deficit contributions) at the next actuarial valuation due to take place in 2019.
- 7.3** The increase to the factors is scheduled to take effect from 1 January 2018. Employers participating in the Fund have been informed.

8. Pension Saving Statements

- 8.1** Pensions Saving Statements are issued each year to any members of the Shropshire County Pension Fund who have exceeded the Annual Allowance Limit.
- 8.2** In September 2017, 38 LGPS statements were issued to members who breached the Annual Allowance limit over the previous Pension Input Period for 2016/17.
- 8.3** All Scheme members are made aware of the Annual Allowance and Lifetime Allowance Limits through regular newsletters, the Fund's website and email updates.

9. Annual Benefit Statements

- 9.1** The Annual Benefit Statements for 2017 were issued to all active members as at 31 March 2017 by the regulatory deadline of the 31 August. The statements for both active and deferred members were issued electronically via the Funds secure website area 'My Pension Online'. For members who had opted out of electronic communication they received a paper copy of their statement. Only 279 active members and 357 deferred members requested a paper statement.
- 9.2** As at the 31 October the Fund had 36.2% of active members and 28.7% deferred members registered for 'My Pension Online'. It has

been reported in the pension's media by Hymans Robertson Ltd that a 20% member sign up rate is average across Pension companies. A number of member 1-2-1 sessions and group presentations have been organised at employer workplaces to encourage further take up of the online area.

10. Exit Payment Reform

- 10.1** The Government have confirmed that a fresh consultation on draft regulations governing the exit payment cap and exit payment recovery is due to take place in autumn 2017. This would potentially mean an implementation for both reforms in the first half of 2018, subject to sufficient parliamentary time being found.
- 10.2** It is understood that the Government are looking to progress the reform of exit payments in local government. However, the exact details and timing for this reform is not yet known.
- 10.3** Shropshire County Pension Fund employers have been kept informed about the proposed exit payment reform and this latest update was communicated to employers in September 2017.

11. New Data Protection Regulations

- 11.1** On 25 May 2018 the EU's General Data Protection Regulation (GDPR) comes into force containing new standards for the protection of individual's personal data in the European Economic Area.
- 11.2** In July, the LGPC Secretariat circulated a handout commissioned from Squire Patton Boggs to provide a brief overview of the new requirements and the steps which local authority pension funds should be taking to prepare for GDPR coming into force. This handout can be found in **Appendix B**.
- 11.3** GDPR is an area that is getting increased attention across the LGPS and there are a number of crucial questions where there are different views, in particular:
 - a) the implications of GDPR for LGPS funds, and
 - b) the work that needs to be undertaken to ensure administering authorities are fully compliant by 28 May 2018.
- 11.4** At Fund level, officers have attended a training a course on the new regulations and a workshop to discuss the work required to be compliant by the time the regulations come into force. Further training is planned for December 2017. Furthermore, officers have met with Shropshire Councils Information Governance Officer to discuss the Councils GDPR plan and how this can help the Fund become GDPR compliant from May 2018.

11.5 The Fund also has representation on a national GDPR working group, led by the LGA to help Funds with their GDPR responsibilities including a plan to produce sample documentation. The LGA are also seeking a legal view on a number of specific questions that have been raised about GDPR in respect of the LGPS and it is understood this will be shared with Funds once available.

11.6 Under the new regulations, the Administering Authority, as a Public Body, may be required to appoint a Data Protection Officer (DPO). The DPO is expected to be appropriately qualified and should report directly to the senior management at the authority. The DPO will be the contact person in the organisation for questions related to processing of personal data in respect of the LGPS fund, as well as the rest of the Administering Authority's functions. It will need to be decided by the Scheme Administrator whether the Fund is covered by the Councils DPO or whether it needs its own.

12. Administration topics covered at Pensions Committee on the 22 September 2017

12.1 In addition to this report the Pensions Board are advised to note the Pensions Administration Report to pension committee on 22 September 2017 which included updates on;

- Performance and Team statistics for the Pension Administration Team
- Contracted Out Reconciliation exercise
- Data Accuracy

13. Top 10 website pages

13.1 As requested in the July 2017 Pensions Board meeting the Fund's website top 10 pages visited are reported below. These are the pages which have been visited the most, so far, in 2017/18.

13.2 These statistics apply from 1st April 2017 to the 31st October 2017:

1. Homepage
2. My Pension Online- are you pension smart?
3. View your payslips online
4. Forms and Guides
5. Paying In
6. Employer
7. Frequently Asked Questions
8. Contributions
9. About the Scheme
10. Left but no benefits paid

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

Administration and Regulatory Update – Pensions Board Meeting 7 July 2017
Pensions Administration Monitoring Report – Pensions Committee 22 September 2017

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Local Pension Board Survey – Preliminary Findings
Appendix B - GDPR handout