

From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 29 March 2023
Subject:	Pensions Administration
Classification:	Unrestricted

---

**Summary:**

This report brings members up to date with a range of issues concerning the administration of the Kent Local Government Pension Scheme (LGPS) for the period 1 November 2022 to 31 January 2023.

**Recommendations:**

The Committee is recommended to note the report.

**REPORT SUMMARY**

1. Performance Update
2. Recruitment
3. Guaranteed Minimum Pension (GMP) Reconciliation
4. Pensions Dashboard
5. Change to CARE Revaluation Date
6. Internal Audit
7. Communications Policy
8. Judicial review on cost cap process and McCloud
9. Spring Budget 2023

---

**For Information****1. Performance**

- 1.1 During the period 1 November 2022 to 31 January 2023 a total of 14,777 new cases were received by the Pensions Administration Team, with 11,878 cases completed during the same period.
- 1.2 Of the 2,899 cases not completed, some of these could be due to the date due completion being after 31 January 2023 or the cases could be on 'hold' awaiting further information (from members, employers or third parties). It is anticipated that developments to the performance reporting going forward will allow for a breakdown of these types of cases.

- 1.3 Due to the team carrying a number of vacancies at present (circa 13FTE), priority is being given to processing Death, Retirement and Refund cases.
- 1.4 Performance on these case types was of a good standard during the period (Deaths – 86%+, Retirements – 98%, Refunds – 88%).
- 1.5 For the lower priority areas (high volume, low complexity), the team are investigating the bulk automation of these processes in order to reduce the number of cases not being completed within the Service Level Agreement (SLA).
- 1.6 The team are also continuing to focus on clearing overdue cases during set 'backlog' days each month and increasing the use of member self-service (with particular focus on online retirements and payment of refunds).

## **2. Recruitment**

- 2.1 Phase 1 of the recruitment campaign has now been completed. Highlights include the introduction of two permanent Training Officers, an additional Technical Consultant, a Business Support Officer and a Senior Pensions Programme Manager who will support the management of the significant programme of works anticipated in the coming months and years.
- 2.2 In addition, resource on the Communications & Support Team has been increased so that the team can focus on the drive towards increased self-service for members and employers.
- 2.3 Phase 2 of the recruitment campaign has commenced. This will aim to fill current vacancies, plus the vacancies created from phase 1 (backfilling for successful, internal promotions) and includes a number of new roles including a Continuous Service Improvement Officer.

## **3 Guaranteed Minimum Pension (GMP) Rectification**

- 3.1 Following the conclusion of a full procurement exercise, ITM Ltd were successful in securing the contract for the GMP Rectification project, awarded under the National LGPS Framework for Pensions Administration Operational Support Services.
- 3.2 Decisions on correcting and paying underpaid pensions and correcting and recovering overpaid pensions will be brought to the Pension Fund Committee at a future meeting for consideration as the project progresses.

## **4 Pensions Dashboard**

- 4.1 On 2 March 2023, the Pensions Minister issued a written statement announcing delays to the delivery of Pensions Dashboards. The Pensions Dashboard requires additional time to ensure that the infrastructure that is being built is safe, secure and works for both pensions schemes and the end users of the service.
- 4.2 It is not clear at this stage if all the connection deadlines will be pushed back or if just the earlier ones will change and the later ones will remain the same.
- 4.3 The team will continue to prepare for the Dashboard with the main focus being on the development of a Data Improvement Plan (scheduled in the Business Plan to be delivered in 2023/24).

## **5 Change to CARE Revaluation Date**

- 5.1 On 9 March 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid the LGPS (Amendment) Regulations 2023. The regulations move the annual revaluation date from 1 April to 6 April. The regulations are effective from 31 March 2023.
- 5.2 The regulations remove the impact of inflation on the annual allowance calculation. They do so by changing the annual revaluation date from 1 to 6 April 2023, and thereafter on each 6 April, for all members.
- 5.3 There is no change in the outcome for all members whose benefits in payment would have increased on 1 April or death grants of deferred and pensioner members who die in the period 1 to 5 April.
- 5.4 The scheme year is not changing, it remains 1 April to 31 March. The revaluation that applies on 6 April applies on the CARE balance at 31 March in the previous scheme year.
- 5.5 In the view of the Local Government Association (LGA) the change to the annual revaluation date is not a material change under regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. The change is about when the revaluation increase is applied. It does not change the method of the calculation; therefore, there is no material change to the information listed in Part 1 of Schedule 2 of the Disclosure regulations.
- 5.6 Legal advice has also been sought by LGA and it is agreed that the change is not a material change. However, it is good practice to let members and beneficiaries know about the change so this will be included in a member newsletter to be issued later this year.

## **6 Internal Audit**

- 6.1 Internal Audit have been reviewing a number of administrative processes in key areas in order to provide assurance on the key controls that are in place. This includes, but not limited to, new joiners, transfers out, deaths and retirements.
- 6.2 The approach also included a review of governance and oversight arrangements, policies/procedures and staff training, system access/data security and data quality, compliance with scheme rules and regulations, and capacity and resourcing of the administration team.
- 6.3 The fieldwork commenced on 20 February with the draft report due by 31 March. The Committee will be given an update on recommendations and actions at the meeting in June 2023.

## **7 Communications Policy**

- 7.1 A review has commenced of the Fund's Communications Policy with a view to planning how the team will deliver a 'digital by default' approach to communications with members and employers.
- 7.2 Consideration will be given to how to promote the use of and adopt additional functionality on Member Self Service and iConnect in order to encourage customers to self-serve and to ensure they have access to accurate pensions information 24/7 to help them make well informed decisions.
- 7.3 The team will also be developing ideas for increasing member and employer engagement and education.

## **8 Judicial review on cost cap process and McCloud**

- 8.1 The cost cap process was introduced as part of the reform of public service pension schemes as a means of controlling costs to employers and taxpayers. The mechanism was designed as a cap and a floor, so employers would be protected where costs had risen but members could benefit where costs had fallen.
- 8.2 The 2016 cost cap process initially found that employer costs had fallen by more than 2% of pay and therefore would have required an increase to member benefits and/or reductions to member contributions.
- 8.3 Following the McCloud judgement in 2018/19, the 2016 cost cap process was paused. The process was subsequently re-started and the 2016 valuations were re-run with McCloud costs allocated to members as required by HM Treasury Directions.

- 8.4 This led to the change in costs falling within the +/-2% corridor and so no changes to member benefits or contributions were then required.
- 8.5 The Fire Brigade Union (FBU) and British Medical Association (BMA) applied for a judicial review of the Government's decision. On 10 March 2023 the application for a judicial review of the Government's decision was dismissed on all grounds. It is understood that the unions are seeking permission to appeal.
- 8.6 At this stage this is just for information and requires no action.

## **9 Spring Budget 2023**

- 9.1 The Chancellor of the Exchequer presented his Spring Budget 2023 to Parliament on 15 March. This included announcements affecting pensions taxation.
- 9.2 Currently, there are limits placed on the total tax-relieved pension savings an individual can make each year and over their lifetime, these include Lifetime Allowance (LTA) which is the maximum amount of tax relievable pension savings an individual can benefit from over the course of their lifetime and Annual Allowance (AA) which is the maximum amount of pension savings an individual can make each year with tax relief. A taper applies for people with income above set levels.
- 9.3 The LTA and AA mainly affect higher paid and/or longer serving individuals. The proposed reforms to these limits will help ensure that high skilled individuals are not disincentivised from remaining in the workforce.
- 9.4 The LTA was introduced in 2006 and has been maintained at £1,073,100 since April 2020. Individuals may contribute to their pension(s) over this limit, but they will be subject to tax on the amount above the LTA. The excess is taxed either at 55% where benefits are taken as a lump sum, or at 25% where taken as a pension.
- 9.5 Spring Budget 2023 announced that the LTA charge will be removed from April 2023, before the LTA is abolished entirely from April 2024. Lump sums above the LTA will, in future, typically be taxed at an individual's marginal rate of income tax.
- 9.6 Individuals may be able to receive a tax-free lump sum when they become entitled to their pension benefits. Currently, the maximum is typically 25% of the capital value of the benefits coming into payment, or 25% of the LTA if lower.
- 9.7 Spring Budget 2023 sets a lump sum monetary cap of £268,275, which is 25% of the current LTA. This cap will take effect on 6 April 2023 and be frozen

thereafter. Exceptions to these reforms will apply to individuals who hold valid LTA or lump sum protection.

- 9.8 The AA was introduced in 2006 and has been maintained at £40,000 since April 2014. Spring Budget 2023 announced that the government will increase the AA to £60,000 from April 2023.
- 9.9 First introduced with effect from April 2016, individuals with high incomes are subject to a Tapered Annual Allowance (TAA). Currently an individual's AA is reduced by £1 for every £2 increase in 'Adjusted Income', down to a minimum AA of £4,000. The Chancellor announced this minimum reduced AA would increase to £10,000 from April 2023. The 'Adjusted Income' level required for the TAA to apply with increase in April 2023 from £240,000 to £260,000.

---

**Clare Chambers – Pensions Administration Manager – Kent Pension Fund**

**T: 03000 414773**

**E: [clare.chambers@kent.gov.uk](mailto:clare.chambers@kent.gov.uk)**

**March 2023**

---