



Buckinghamshire County Council

Agenda

PENSION FUND CONSULTATIVE GROUP

Date Thursday 19 March 2009
Time 10.00 am
Venue Mezzanine Room 2, County Hall, Aylesbury

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3 FUND PERFORMANCE Report from Clive Palfreyman, Assistant Head of Finance	11 - 16
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7 BUSINESS PLAN Report from Claire Perry, Principal Pensions Officer	65 - 68
8 ANNUAL GENERAL MEETING Report from Clive Palfreyman, Assistant Head of Finance	69 - 70
9 DATE OF NEXT AND FUTURE MEETINGS The next meeting of the Pension Fund Consultative Group will be held on Friday 9 October 2009 at 10.00am in Mezzanine Room 2.	

Dates of future meetings. All meetings commence at 10.00am and will be held in Mezzanine Room 2.

11 March 2010
14 October 2010

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Members

Mr F Downes, Pension Fund Committee Representative (C)
Mr R Atkins, Thames Valley Police Authority Representative
Ms S Burgess, Admitted Body Representative - Heritage Care
Ms A Cobban, People & Policy Representative
Mr S Cox, Pensioner Representative
Mrs J Eubank, Employee Representative
Mr I Frost, Milton Keynes Council
Mr S Mason, Aylesbury Vale District Council Representative
Mr J McMillan, Wycombe District Council Representative
Mr C Palfreyman, BCC Finance Representative
Ms T Pearce, Chiltern District Council Representative
Ms M Shannon, South Bucks District Council Representative
Ms L Turvey, Admitted Body Representative - Fremantle Trust
Mr G Waghorn, Milton Keynes Council
Vacancy, Employee Representative
Mr M Cross, Unison Representative



Buckinghamshire County Council

Minutes

PENSION FUND CONSULTATIVE GROUP

MINUTES OF THE MEETING OF THE PENSION FUND CONSULTATIVE GROUP HELD ON WEDNESDAY 15 OCTOBER 2008, IN LARGE DINING ROOM, JUDGES LODGINGS, COMMENCING AT 10.00 AM AND CONCLUDING AT 10.50 AM.

MEMBERS PRESENT

Mr F Downes, Pension Fund Committee Representative (Chairman)
Mr S Cox, Pensioner Representative
Mr I Frost, Milton Keynes Council
Mr S Mason, Aylesbury Vale District Council Representative
Mr C Palfreyman, BCC Finance Representative
Ms T Pearce, Chiltern District Council Representative
Ms L Turvey, Admitted Body Representative - Fremantle Trust
Mr G Waghorn, Milton Keynes Council
Mr I Thompson, Thames Valley Police Authority

OFFICERS PRESENT

Mrs J Vrondis, Pensions Manager
Ms A Cobban, Corporate HR Manager
Mrs C Gray, Senior Democratic Services Officer
Ms C Perry, Principal Pensions Officer
Ms K Rawlings-Smith, Trainee Solicitor
Mr C Thompson, Principal Pensions Officer

AGENDA ITEM

1. APOLOGIES / CHANGES IN MEMBERSHIP

Apologies were received from Jacky Eubank and Bob Atkins (Ian Thompson attending on his behalf).

The Democratic Services Officer reported the following Changes in Membership:

Stewart Gilchrist, Milton Keynes Council – Resigned
Ian Frost and Gary Waghorn, Milton Keynes Council – New Members
Peter Watson, Aylesbury Vale District Council - Resigned

2. MINUTES

The minutes of the meeting held on 11 March 2008 were confirmed as a true record, subject to the figure on page 1 reading £1.284 billion and not £1 million.

3. FUND MANAGERS' PERFORMANCE REPORT

Members received a report on the performance of the Pension Fund's investment managers for up to the end of the second quarter of 2008, being until 30 June 2008 which showed the market value of the Fund, as at 30 June 2008, as £1.185 billion.

The report also showed the asset allocation split by class, the value of the fund held by each fund manager and the type of mandate, and the fund managers' performance for the quarter to 30 June 2008.

The members discussed the performance of the fund managers over the last two quarters. The Pension Fund Committee is taking action where necessary and continues to monitor the performance of all the fund managers.

Details of the third quarter will be discussed at November's meeting of the Pension Fund Committee. Members asking about the valuation of the Pension Fund were advised that the figures for March 2009 would be out in June 2009, therefore these figures would not be available for next year's budget round.

The press has recently highlighted the international turbulence in the stock market, obviously being headline news and this is also reflected in the quarter to the end of June and expecting it moreso to be reflected in the quarter to the end of September.

Pensions are of course long term investments and there is therefore no short term risk to be concerned of at the moment as the investment is managed on a twenty to twenty-five years cash flow basis. The long term prognosis was that markets were expected to recover. Members were reminded that the stock market runs in cycles and two years ago the stock market was showing its highest returns; current levels are similar to that experienced in pre 1997.

Members were referred to Table 1 on page 5 showing the market value of the Pension Fund has fallen from £1.2 billion to £1.18 billion over the second quarter. There will be a further drop in the third quarter and it is anticipated that the Fund will continue to struggle until January/February 2009.

Tables 2 and 3 are showing negative returns. It was explained that the benchmark is set depending on the stock invested in. Some managers have cut stock and some have underperformed. Meetings were held over the summer with Fund Managers to discuss the investment strategy with regard to the current economic climate and to look at how Fund Managers were performing.

A Member asked for confirmation as to the figures in Table 4 regarding Pantheon (Europe). It was confirmed that the figures for Pantheon (Europe) are misleading as it is a comparatively small pot compared to the portfolio's other Fund Managers. Table 3 shows that 1% of the Fund is minimal in the scheme of things; this time next year Members could expect up to a 5% allocation to Pantheon (Europe).

It was further asked why there were negative figures against the benchmark which had a positive return. This was due to small pots of cash doing well, but this may not apply to the whole package. The Chairman confirmed that Pantheon (Europe) are a fairly new member and investments would be increased with Fund Managers if their performance was good.

The Members were referred to paragraph 6 on page 7 of the agenda showing where Buckinghamshire County Council is ranked in comparison to other local authorities, which was 63rd percentile for second quarter of 2008. The five year average shows Buckinghamshire County Council in the 34th percentile. The Fund Managers are keen not to lose momentum and they are looking at new strategies.

Members were also referred to paragraph 12 with regard to the recent valuation. The full 2007 triennial valuation showed a funding level to 81% with an average required employer contribution of 19.2%. The funding level had only dropped 1% in the mini valuation in March 2008 which is good when looking at the larger picture. .

The Pension Fund Committee is undertaking a tender process in reviewing Fund Managers. The process so far has taken six months in accordance with the EU Procurement Regulations and the next step is deciding which Fund Managers to appoint. It is intended that the new Fund Managers will be in place by the end of January 2009.

A Member commented about the Treasury Seminar he attended where the Professor of Economics had recommended a cut in equity and investing in cash and bonds. A Member also asked whether Buckinghamshire County Council do anything similar.

Members were advised that some equity funds had been split between a property mandate and the Legal & General Bond Manager. Stocks can be picked up cheaply at the moment and deliver good returns when the market has rebounded.

The Icelandic situation was noted. Members were assured that no Pension Fund money was within that £5m. A minimal amount of Icelandic stock had been invested in by a Fund Manager which the Pension Fund is looking into, but this would have minimal impact on the Fund.

4. PENSION CHARGES ON DIVORCE

Members received the report of the Pensions Manager.

From 1 December 2000 pension providers have powers to split pensions rights as part of the matrimonial assets if a couple divorced. This required a cash transfer value to be calculated and a person is entitled to one free valuation a year. If any more are requested, pension providers can charge as there is no statutory duty to provide this information.

Appendix 1 at page 13 of the agenda shows the charges set in 2000 as recommended by the National Association of Pension Funds (NAPF). Appendix 2 are the current levels as suggested by NAPF, and Appendix 3 are the rates that the pension section propose to start charging. Members were advised that there are not a huge amount of pension sharing orders issued, maybe around ten a year. However, it is intended that a structure is put into place and reviewed annually.

A Member queried whether £1,000 is a lot of money when it comes to generating a cash transfer value. It was explained to Members that if it is a straightforward divorce then it is not a lot, but if the divorce is contested, then the costs can accrue with going back and forth between parties and solicitors.

Another Member suggested that a record was kept of work generated throughout the year to ensure that costs were covered.

The Pension Fund Consultative Group AGREED the revised charges, which will be reviewed annually.

5. PENSIONS PERFORMANCE STATISTICS / UPDATE ON YEAR END AND ANNUAL BENEFIT STATEMENTS

Members received the Pensions Administration Performance Report.

In the past twelve months the section has seen the implementation of the new Pension Scheme. Despite expectations, the Pensions Team did not see a significant increase in the number of queries received and this can in part be attributed to the successful communication of the changes to scheme members and employers. There has been a steady increase in the number of daily tasks being completed by the team within the 10 day turnaround set in the customer charter. In September 2008, this was down to less than 1% of total work completed, which is due to the hard work of the Pensions Team and the two trainee pension administrators nearing the completion of their training and becoming multi-functional.

A Member asked about figures relating to qualitative measurement being recorded properly and accurately. Members were advised that there were various procedures for checking the workflow. Members were also advised that the Pensions Team were in the process of redesigning their workflow procedures which would enable the team to report on a more qualitative basis. The Chairman confirmed that the next report should contain a qualitative statement.

An Officer explained that she thought the information given in the quarterly newsletters was very helpful but a lot of information comes through which is technical and not easily understood. It would be useful to have updates as to what's happening and what's coming up in plainer English.

Members were advised that the large increase in daily tasks in June 2008 could be attributed to the start of the annual year end process whereby the Pensions Section takes the annual contribution data provided by employers and calculates a pensionable pay figure on which the annual benefit statement is calculated. This process identifies where information has not been supplied by employers throughout the year i.e changes in hours, employees leaving and new starters.

A Member asked whether any changes were expected to the Pension Fund in the longer term. They were referred to the previous consultation where employees had asked that their Pension Scheme be related to final salary. However the affordability of relating it to employees final salary was quite challenging as the overall Scheme would need to generate 9% return each year and more risks would have to be taken to achieve this. New entrants to the Scheme would have to be barred from this part of the Scheme.

The Pension Fund Consultative Group NOTED the performance statistics of the Team.

6. BENCHMARKING

Members received the CIPFA Benchmarking Club Report. Members were advised that out of 92 Administering Authorities, 53 took part which was the highest turnout so far. Each year data is supplied based on cost measures, workload measures, staff related measures and Industry Standard Performance Indicators.

Members were referred to page 28 of the agenda showing cost per member and that this was lower than the Club average. Members were also asked to note that the total members per full-time equivalent was the 2nd highest in the Club. Members then looked at the timeline and membership increase. Members were advised that the average was displayed and the figures below the benchmark show the cost is lower per member. The only year that we were higher than the average was 2003.

The Chairman asked whether there was anything different with the report. Members were advised that qualitative data is currently recorded as a scrap book showing the additional functions the team does compared to the other participating Authorities. This varies between authorities regarding communication, but overall

Buckinghamshire County Council has done very well.

Ms L Turvey enquired as to the time spent in preparing this report and how useful the information actually was. Members were advised that the report shows where Buckinghamshire County Council is in comparison to other authorities. The report is very useful and takes approximately two days to gather the information, correlate and submit.

Local authorities whose Pension Funds had been outsourced are included in the benchmarking scheme but information was restricted due to the competitive market.

A Member asked about staff qualifications within the team. Members were referred to page 40 and advised that there was a training plan for each new member of the team and this encouraged further qualification. Some staff leave to work in the private sector once qualified but in the past two years there has been little fluctuation due to the training plan and the career matrix.

7. DISCRETIONARY POLICIES

Members received the Discretionary Policies Report. Discretionary policies applicable under the LG Pension Scheme Regulations 2007 need to be made by each employer in the Fund. Members need to consider the local policy which is set by each employer within the Fund and fund policy which it is set as an administering authority .

There are six specific matters on which employers need to declare their local policy as below:-

1. Discretion of employer to increase total membership of active member

Regulation 12 LGPS (Benefits, Membership and Contributions) Regs 2007

Under this regulation an employer has the power to increase the membership (pensionable service) of an employee in the pension scheme by up to 10 years.

Current BCC Policy: BCC does not currently award augmented years

Suggested policy: Employers could award augmented years on a case by case basis.

Reason for Change: Allowing augmented years on a case by case basis would give employers more flexibility. Augmented years are fully funded by the employer at the date of award.

2. Discretion of employer to award additional pension

Regulation 13 LGPS (Benefits, Membership and Contributions) Regs 2007

This regulation gives an employer the power to award up to £5000 per year additional pension on retirement.

Current BCC Policy: N/A, this is a new option

Suggested policy: Employers could award augmented years on a case by case basis or employers could choose not make use of this regulation to award additional pension on retirement.

Reason for Change: Employers may prefer to award augmented years as above rather than augmented pension, it is probably easier to have just one method of increasing benefits rather two.

3. Discretion to permit flexible retirement

Regulation 18 LGPS (Benefits, Membership and Contributions) Regs 2007

This regulation enables an employer to let an employee, aged 55 or more (50 for protected members), reduce his/her hours or grade, and receive part or full payment of pension benefits under the main scheme regulations. If the employee would suffer an actuarial reduction in the pension and lump sum due to the early payment, the regulations confer a further discretion for the employer, at its own cost, to waive that reduction in any particular case.

Current BCC Policy: The BCC policy has been reviewed and a copy is attached

Suggested policy: Employers should review their policies on flexible retirement, including whether or not a waiver of actuarial reduction will be made in any case.

Reason for Change: The new BCC policy imposes a minimum hour/pay reduction and also stipulates a minimum period for the member to remain employed with BCC. BCC will not waive reductions.

4. Discretion to permit early payment of pension

Regulation 30 LGPS (Benefits, Membership and Contributions) Regs 2007

Under this regulation a member of the pension scheme aged 55 or more (50 for protected members) may apply for the early payment of their retirement benefits, subject to the consent of their employer. An application may be made by either a current employee or a former employee holding deferred benefits. This regulation gives a further discretion to the employer, at its own cost, to waive any actuarial reduction on compassionate grounds.

Current Policy: BCC currently assess each case on its merits, each case is signed off by the head of service and the head of finance.

Suggested policy: Employers could agree to an application from a current employee only in a case where it is satisfied that there is a clear business benefit, and where the employee or the service are willing to reimburse to the pension fund any costs arising from the early retirement.

Employers could grant an application from a former employee holding deferred benefits. The former employee will be expected to reimburse to the pension fund any costs arising from the early retirement. Actuarial advice confirms this will be cost neutral to the Fund.

Employers could waive any actuarial reductions that may be applicable, but this will increase any pension strain cost.

Reason for Change: A former employee applying for early payment of deferred benefits usually does so because of financial hardship, as such an application can be granted at no cost to the employer it would seem unreasonable not to grant the request.

5. Discretion to permit late inward transfer of pension rights

Regulation 83 LGPS (Administration) Regs 2008

A request to transfer pension rights in to the LGPS must be made within 12 months of joining the scheme, but this regulation allows an employer to extend that period.

Current Policy: All such requests are referred by pensions to the employer concerned for a decision

Suggested policy: Any request to transfer pension rights after the twelve month limit should be declined unless the member claims they did not get the information regarding this deadline when they commenced their employment.

Reason for Change: Until recently the Pensions Manager made the decision in these cases. However a case came up where a late transfer was agreed to and then the employee was made redundant; the pension strain cost was increased as a result of the transfer. All such applications are now referred to employers due to this possibility. BCC have found that they are getting a lot of requests and are finding it time consuming to look at each case, they are therefore considering declining all cases unless the person claims they did not get the pension starter pack..

6. Determination of questions and disputes

Regulation 58 LGPS (Administration) Regs 2008

An employer must specify the job title and the address of the person to whom applications to deal with questions and disputes arising from the administration of scheme membership must be made.

Current Policy: In BCC such applications are made to the HR Manager, OD & HR.

Suggested policy: No change is suggested for BCC. Employers who have not specified the person to whom applications should be made should do so immediately.

Reason for Change: To comply with legislation

There are eight specific matters on which the Council needs to declare its local policy as an administering authority which are set out below:-

7. Making “Admission Agreements”

Regulations 5, 6 and 7 LGPS (Administration) Regs 2008

An administering authority may make an “Admission Agreement” with certain other organisations, in order to admit their employees to the local LGPS fund.

Recommended local policy: This Council will enter into an “Admission Agreement” where this is considered appropriate. Any such case will be considered and decided by the Head of Finance.

8. Considering late applications to pay contributions for absence

Regulation 22 LGPS (Administration) Regs 2008

A request to pay pension contributions to cover a period of unpaid leave must be made within 30 days, but this regulation allows an administering authority to extend that period.

Recommended local policy: Any request to pay such contributions after the 30 day limit will be considered and decided by the Pensions Manager. Such a request will be granted only if it is considered that there are significant extenuating circumstances.

9. Permitting regular additional pension contributions

Regulation 23 LGPS (Administration) Regs 2008

A member of the local pension fund can apply to make regular additional pension contributions. In that event, this regulation permits the administering authority, if it wishes, to require a medical report from the applicant, to show that he/she is in good

health.

Recommended local policy: This Council will require such a medical report from an applicant – obtained at the applicant's cost - before allowing regular additional contributions, where the employee has declared a medical condition on their application form.

10. Awarding Death Grant payments

Regulation 23 LGPS (Administration) Regs 2008

This regulation gives an administering authority absolute discretion as to the person to whom a death grant payment should be made

Recommended local policy: Decisions about the payment of death grants will be considered and made by the Pensions Manager.

11. Paying Child Pensions

Regulation 26 LGPS (Administration) Regs 2008

Under this regulation, an administering authority has the discretion to treat a child's education or training as continuous, ignoring any break.

Recommended local policy: Decisions about the payment of child pensions will be considered and made by the Pensions Manager, taking into account the circumstances of each individual case.

12. Reclaiming additional costs arising from an employer's sub-standard performance

Regulation 43 LGPS (Administration) Regs 2008

If an administering authority incurs extra work or other additional costs, as a result of an employer (including BCC) failing to provide necessary information as and when required, then the authority is able to recharge the employer for these costs.

Recommended local policy: This Council will make use of this regulation and will normally recharge employers (including BCC) for any additional costs incurred due to the performance of an employer.

13. Dealing with disputes

Regulation 60 LGPS (Administration) Regs 2008

This regulation requires an administering authority to specify who will deal with questions and disputes arising from its role as an administering authority (these will be different from any cases arising for an employer).

Recommended local policy: In this Council Linda Forsythe, Group Solicitor, Legal Services, County Hall, Aylesbury will deal with such matters.

14. Reducing or suspending a retirement pension, if a pensioner starts new local government employment

Regulation 70 LGPS (Administration) Regs 2008

The pension of an employee who retires and is subsequently re-employed in local

government may be subject to reduction or suspension. This regulation requires an administering authority to state its local policy on this issue.

This provision is not new, and the Council's policy is not to reduce or suspend pensions in such cases.

Recommended local policy: The basic pension (excluding any 'added years' element) of a pensioner who is re-employed in local government after 1 October 2006 will not be reduced or suspended.

Next steps were then clarified to the members. With regard the first six discretions, each employer must have them. Employers can either have their own or share the policies Buckinghamshire County Council have opted for. The Pensions Manager of Buckinghamshire County Council needs the copies of the augmented years policy from Members by December as it is a statutory requirement for employers to have them. A draft policy is sufficient for the Pensions Manager to check and advise on.

The Pension Fund Consultative Group were IN FAVOUR of the changed outlined in the report.

8. DATE OF NEXT MEETING

The next meeting of the Pension Fund Consultative Group will be held on Thursday 19 March 2009 at 10.00am in Mezzanine 2.

9. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded for the following item which is exempt by virtue of Paragraph 4 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating any consultations or negotiations, in connection with any labour relations matter arising between the Authority or a Minister of the Crown and employees of, or office holders under, the Authority.

10. DISCRETIONARY POLICIES

Members noted the report which was being submitted to the Senior Appointments and Bucks Pay Award Committee on the Local Policy of the Local Government Pension Scheme.

CHAIRMAN



Report to Pension Fund Consultative Group

Title: Fund Managers' Performance

Date: 19 March 2009

Date Decision can Be implemented: 19 March 2009

Author: Assistant Head of Finance

Contact Officer: Clive Palfreyman 01296 382280

Electoral Divisions Affected: n/a

Portfolio Areas Affected: None

Purpose of Report

To present the performance of the Pension Fund's fund managers for the fourth quarter of 2008. Most mandates generated a negative return for the year reflecting the downturn in the equity and commercial property markets, as at 31 December 2008 the market value of the Fund was £1,074m.

Summary

Pantheon (Europe V), Pantheon (USA VII) and LGIM – bonds generated positive annual returns. PFCG Members should note that the Alliance Bernstein global equities mandate has underperformed by 17.7% in the year to date and by 7.7% in the 3 years to 31 December 2008. The BlackRock absolute return mandate has underperformed by 10.8% in the year to date and by 1.8% in the 3 year period. The Blackstone absolute return mandate has underperformed by 20.9% in the year and by 3.8% in the 3 year period. The Capital International global equity portfolio has underperformed by 2.5% in the year to 31 December 2008 and has underperformed by 3.1% over the 3 year time horizon. Aviva Investors and Mirabaud have achieved their objectives over the 3 year period. BlackRock underperformed for four consecutive quarters, no other fund manager has underperformed for four consecutive quarters.

The Pension Fund Committee finalised an updated Investment Strategy in December 2008 and a tender process is currently underway.

Recommendation

The Group is asked to note the report and comment as appropriate.

A. Main issues arising

Fund Value and Asset Allocation

1. The market value of the Fund decreased from £1,107m to £1,074m during the three months ending 31 December 2008. Table 1 overleaf shows the distribution of investments across categories of assets, such as cash, equities and bonds:

Asset Allocation by Class	30 Sept 2008		31 Dec 2008	
Equities	£m	£m	£m	£m
UK		313		287
Overseas		353		336
North America	141		131	
Europe (ex UK)	115		110	
Japan	45		48	
Developed Pacific (ex Japan)	18		17	
Emerging Markets	34		30	
Bonds		231		243
Fixed Interest Gilts	189		203	
UK Index-Linked Gilts	42		40	
Property		90		79
Private Equity		14		26
Absolute Return Funds		72		65
Cash		34		38
		1,107		1,074

2. Table 2 below shows how the Fund's assets as at 31 December 2008 varied from the planned allocation, the percentages change each quarter as the different asset classes generate different returns.

Asset Class	Asset Allocation as at 31 Dec 2008 %	Strategic Asset Allocation %	Variance From Strategic Allocation %
Equities:			
UK	26.7	31.4	-4.7
Overseas	31.4	35.3	-3.9
Bonds	22.6	19.6	3.0
Property	7.3	7.8	-0.5
Private Equity	2.4	2.0	0.4
Absolute Return Funds	6.1	3.9	2.2
Cash	3.5	0.0	3.5
	100.0	100.0	0.0

Bonds and equities performance in the year to 31 December 2008 has resulted in the value of bonds, UK equities and global equities differing from the planned allocation by 3.0%, -4.7% and -3.9% respectively.

Pension Fund cash exceeds the asset allocation mainly due to cash balances held by the fund managers for cash flow purposes. As reported previously Aviva Investors is investing cash on behalf of the Pension Fund until investment opportunities in property are identified.

The allocation to absolute returns exceeds the strategic asset allocation following the Committee's decision to incrementally increase the proportion of the Fund managed by Blackstone from 2% to 5% using surplus cash balances. Blackstone is currently funded at 4% of the Fund.

3. The value of the Fund and the mandate managed by each fund manager at 30 September 2008 and 31 December 2008 are shown in Table 3 below:

Fund Manager	Mandate	30 Sept 2008 £m	31 Dec 2008 £m	%
Alliance Bernstein	Less constrained global equities	81	73	7
Aviva Investors	Property Fund of Funds	101	90	8
Blackrock	Cash / inflation plus	20	19	2
Blackstone	Hedge fund of funds	52	46	4
Capital International	Global equities	102	99	9
LGIM*	Passive global equities and bonds	361	348	33
LGIM*	Bonds	183	193	18
Mirabaud	UK equities	112	104	10
Pantheon	Private Equity	14	26	2
Standard Life	Less constrained UK equities	78	70	7
Pension Fund	Cash	3	6	0
Total		1,107	1,074	100

*LGIM – Legal and General Investment Management

Fund Managers Quarterly Performance to 31 December 2008

4. The combined Fund achieved a gross return of –3.9% compared to its benchmark return of –4.2%, an outperformance of 0.3% for the quarter to 31 December 2008. A consolidated net performance for the total Fund is not available. Table 4 shows the fund managers' net performance compared to the benchmark:

Fund Manager	Mandate	Net Performance %	Benchmark %	Net Relative Return %
Alliance Bernstein	Less constrained global equities	-9.8	-2.9	-6.9
Aviva Investors	Property fund of funds	-11.0	-13.4	2.4
BlackRock	Cash / inflation plus	-2.9	-2.5	-0.4
Blackstone	Hedge fund of funds	-10.6	0.8	-11.4
Capital International	Global equities	-2.9	-3.6	0.7
LGIM	Passive global equities & bonds	-3.4	-3.5	0.1
LGIM	Bonds	5.3	4.5	0.8
Mirabaud	UK equities	-7.2	-10.2	3.0
Pantheon (Asia V)	Private equity fund of funds	14.9	3.3	11.6
Pantheon (Europe V)	Private equity fund of funds	17.3	-5.5	22.8
Pantheon (Europe VI)	Private equity fund of funds	16.8	-5.5	22.3
Pantheon (USA VII)	Private equity fund of funds	20.5	-4.3	24.8
Pantheon (USA VIII)	Private equity fund of funds	19.6	-4.3	23.9
Standard Life	Less constrained UK equities	-11.0	-10.2	-0.8
			-4.2	

5. For the quarter to 31 December 2008 Aviva Investors, Capital International, Legal & General – passive, Legal & General – bonds, Mirabaud and the Pantheon private equity

fund of funds mandates outperformed their benchmarks. The performance for the private equity fund of funds managed by Pantheon should be interpreted cautiously since returns in the early years of a private equity fund's life are not generally meaningful. The private equity fund of funds that the Pension Fund is invested in are valued in American dollars and Euros, due to currency fluctuations the value of these funds appreciated significantly in the quarter ending 31 December 2008. Alliance Bernstein, BlackRock, Blackstone, Capital International and Standard Life have underperformed their benchmarks.

Quarter 3 2008 Fund Performance in the Local Authority League Tables

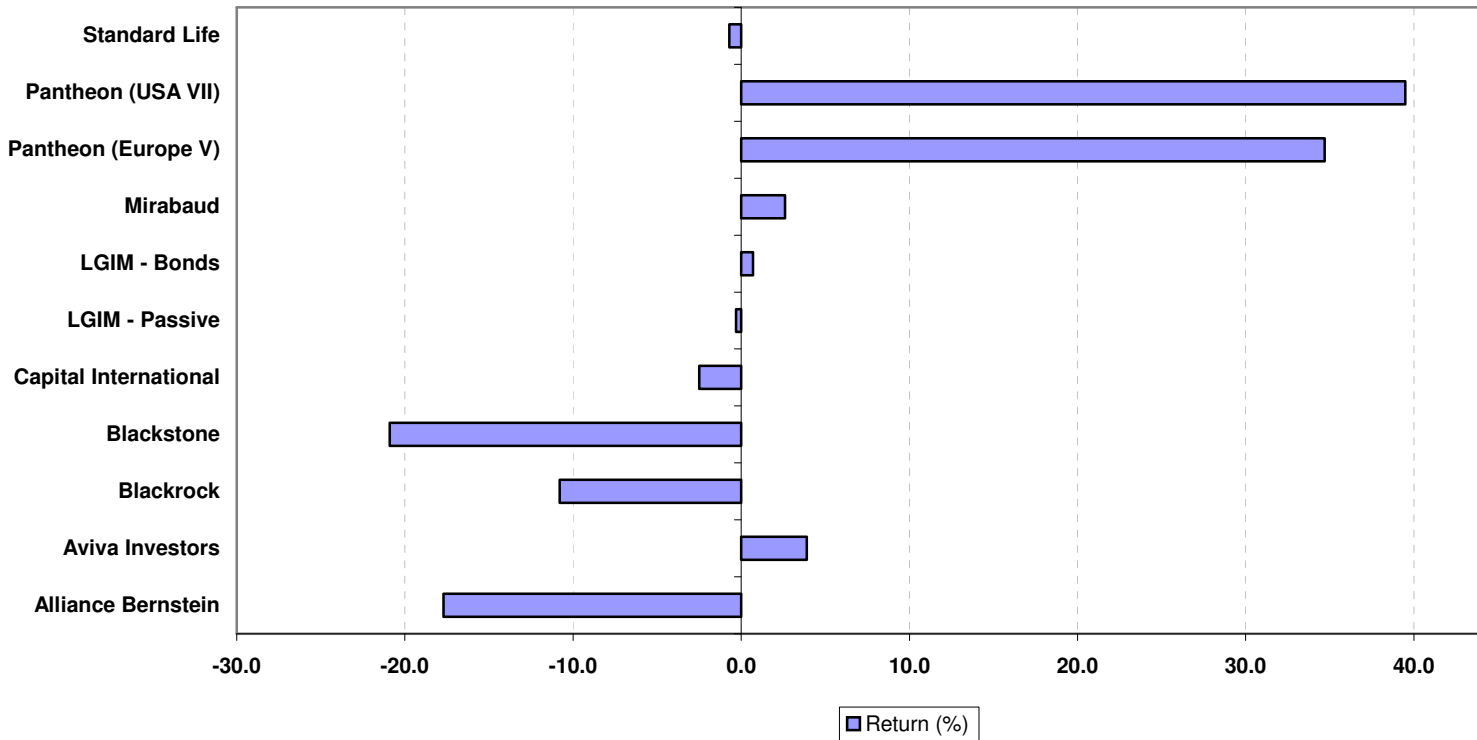
6. WM local authority universe data for the fourth quarter of 2008 is not yet available. Table 5 below shows the trend in the Fund's quarterly, annual, 3 year and 5 year performance each quarter since Q1 2006 and how the Fund is ranked compared to other local government pension funds. After achieving a ranking of 41st for the quarter, the Fund's annual ranking of 46 was comparable to the previous quarter. The three years and five years ranking of 33 and 47 respectively had reduced compared to quarter 2 2008.

	2006				2007				2008		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Quarterly	35	57	51	26	48	63	25	28	48	79	41
Annual	21	18	30	41	55	61	40	30	36	45	46
Three Years	40	41	56	50	51	56	38	34	28	29	33
Five Years	81	84	66	77	81	63	30	38	23	34	47

Fund Managers Annual Performance to 31 December 2008

7. In the year to 31 December 2008 the combined Fund achieved a gross return of -18.8% compared to its benchmark return of -18.0%, an underperformance of 0.8%. Most mandates generated a negative actual return for the year reflecting the downturn in the equity and commercial property markets. Pantheon (Europe V), Pantheon (USA VII) and LGIM – bonds generated positive annual returns. Graph 1 (overleaf) shows the fund managers' performance after fees over the previous 12 months against their benchmark. Aviva Investors, LGIM – bonds, Mirabaud, Pantheon (Europe V) and Pantheon (USA VII) have outperformed their benchmarks. Alliance Bernstein, BlackRock, Blackstone, Capital International, LGIM – passive and Standard Life have underperformed their benchmarks.

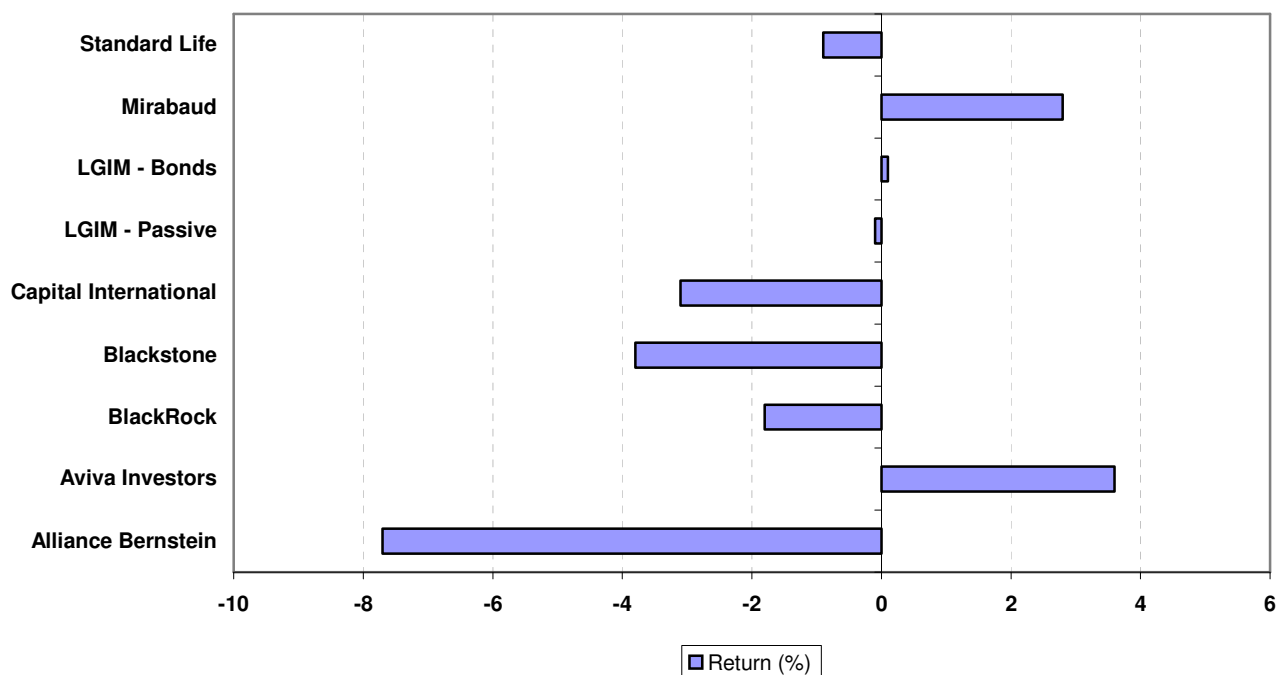
Graph 1 - Fund Managers' Net Annual Relative Return



Fund Managers Three Year Performance to 31 December 2008

8. The Fund achieved a return gross of fees of -1.3% per annum in the 3 years to 31 December 2008 underperforming its benchmark of -1.1% by 0.2% for that period. Graph 2 shows the fund managers' gross performance over the previous three years against their benchmark, three years is a pension industry standard timescale for performance comparisons. Over the three years Standard Life and Mirabaud have outperformed their benchmark of -4.8% by 0.3% and 3.3% respectively, LGIM – active bonds has outperformed its 3.5% benchmark by 0.2%, LGIM – passive has matched its benchmark of -1.0%, Capital International has underperformed its benchmark of -3.1% by 2.8%, Aviva Investors has outperformed its benchmark of 1.6% by 3.8% and Alliance Bernstein has underperformed its benchmark of 1.0% by 3.2%. The Pantheon Fund of Funds are not included in the three year performance analysis since the Fund has invested with Pantheon for less than 3 years.

Graph 1 - Fund Managers' 3 Year Relative Return



C. Resource Implications

Not applicable.

D. Legal Implications

None.

E. Other implications / issues

The underlying performance issues will be addressed when the Fund's revised Investment Strategy is implemented over the following months.

F. Feedback from consultation and Local Member Views

Not applicable.

G. Communication Issues

A performance update is reported six monthly to the Pension Fund Consultative Group and annually to the Pension Fund's employers. Members of the Pension Fund Committee are advised of quarterly performance prior to Committee meetings through the confidential Member newsletter and at Committee meetings.

H. Progress Monitoring

To be reviewed by Pension Fund Committee quarterly.

I. Background Papers

None.

Your questions and views

If you have any questions about the matters contained in this paper please get in touch with the Contact Officer whose telephone number is given at the head of the paper.



Report to Pension Fund Consultative Group

Title: Pensions Administration Performance

Date: 19th March 2009

Date Decision can be implemented: n/a

Author: Principal Pensions Officer

Contact Officer: Chris Thompson 01296 382833

Electoral Divisions Affected: N/A

Portfolio Areas Affected: All

Summary

The pensions admin team have a customer charter (<http://www.buckscc.gov.uk/bcc/content/index.jsp?contentid=-1901867351>) outlining their commitment to turning work around within certain timescales. All post and requests for information are logged daily and reported on monthly to monitor the percentage of work that is not completed within the prescribed time limits.

Details of the work performance statistics for the last 12 months to February 2009 are presented below. The Pension Fund Consultative Group are required to monitor the performance of the Pensions Administration Team.

Recommendation

Members are asked to:

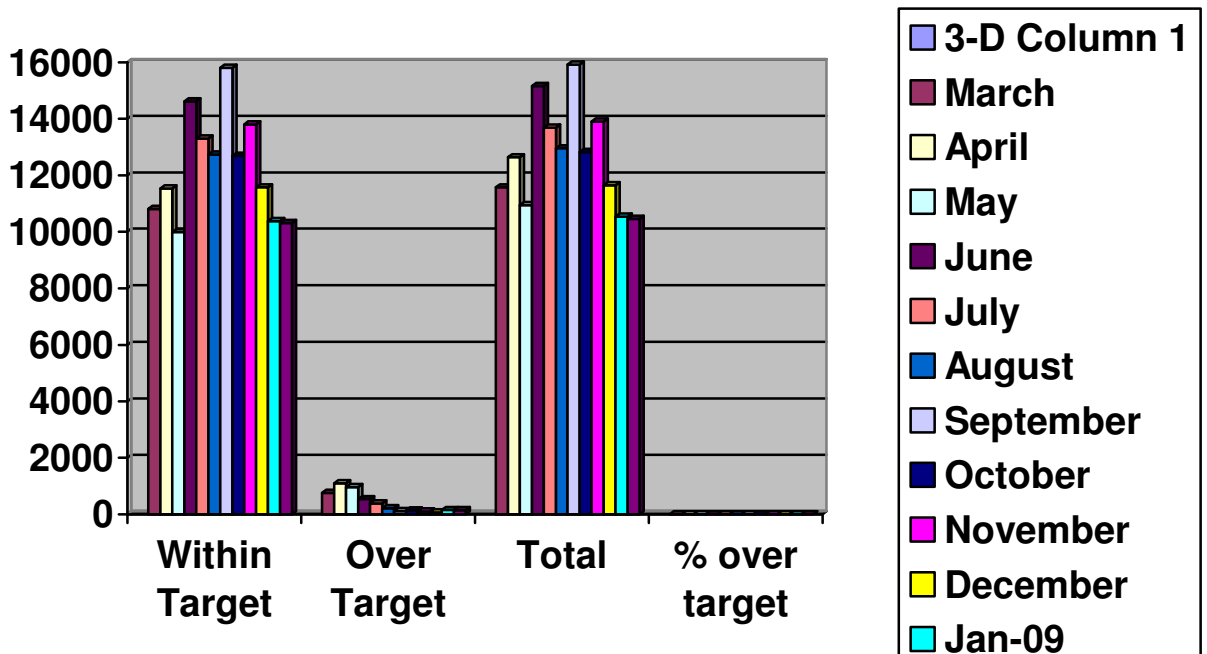
PFCG are asked to NOTE the performance statistics of the team.

A. Supporting information:

Workload statistics for the year to February 2009 are presented below. In the past twelve months the section has seen the implementation of the new Pension Scheme. Despite expectations, this did not see a significant increase in the number of queries received and this can be in part attributed to the successful communication of the changes to scheme members and employers.

Workloads have remained high over the past year with a significant increase taking place in June 2008 and September 2008, although the workloads have dropped back from the high recorded in September 2008. The number of tasks being completed over target has remained relatively low since a high of 8.81% in May 2008 given the number of tasks being completed each month.

	Within Target	Over Target	Total	% over target
March	10820	759	11579	6.55%
April	11543	1102	12645	8.71%
May	9985	965	10950	8.81%
June	14619	539	15158	3.56%
July	13303	390	13693	2.85%
August	12743	219	12962	1.69%
September	15805	114	15919	0.72%
October	12691	142	12833	1.11%
November	13801	105	13906	0.76%
December	11582	73	11655	0.63%
January 2009	10390	155	10545	1.47%
February	10317	146	10463	1.40%



To provide more qualitative data, two procedures have been selected for the month of February 2009. Deaths and employer requested estimates (ill health, redundancy, efficiency, employer consent and flexible retirements).

In February 2009, pensions received 29 new notifications of death. All initial death letters, offering condolences and confirming the information required by Pensions to process any further benefits due, were sent out on the same day as notification of death was received. In February 24 death cases (all calculations performed, benefits paid and notification of benefits sent) were completed in total (the outstanding amount can be accounted for by information outstanding from next of kin). Of the 24 cases completed, 4 required recalculation of benefits due by a Pensions Officer resulting in the case being completed over target. 3 of the cases involved AXIS system issues which where appropriate have been resolved or raised with AXIS software supplier, Heywoods.

In February 2009, 28 employer estimates were provided. Of these 2 were provided outside of target. Both were in respect of employees whose employment is of a variable nature (i.e they do not work set hours each week) and required the Pensions Team to assess information supplied by the employer.

To give an indication of other volumes of work during the month of February, the Pensions team processed 323 general queries (not including telephone queries), 210 leavers (non retirements) and set up 325 new starter records.

To date 110 queries have been received in response to the issuing of Annual Benefit Statements, of which approximately half have been general queries such as wrong address held for the member, or the member wishes to make a death grant nomination.

B. Other options available, and their pros and cons

N/A

C. Resource implications

The Pensions Administration team is funded by the Pension Fund.

D. Legal implications

It is a statutory obligation for the County Council to provide a Pensions Service on behalf of Scheme employers.

E. Other implications/issues

There are none.

F. Feedback from consultation and Local Member views

None



Report to Pension Fund Consultative Group

Title: Charging Structure for employers

Date: 19th March 2009

Date Decision can be implemented: 19th March 2009

Author: Pensions Manager

Contact Officer: Julie Vrondis 01296 382328

Electoral Divisions Affected: N/A

Portfolio Areas Affected: All

Summary

Recommendation

That the pension fund formulate a charging structure for additional work undertaken due to poor performance of fund employers.

Members are asked to:

Members are asked to consider setting up a charging structure for additional work undertaken by pensions due to poor performance of fund employers.

A. Supporting information:

The CLG recently concluded a statutory consultation exercise about future cost sharing arrangements for the LGPS.

First steps will require pension fund authorities to provide the Secretary of State with the same data they provide their fund actuary at the time of the actuarial valuation due at 31 March 2010. This allows a national model fund to be set up from which it will be possible to determine equitably the cost both to employees and employers of future accruals of pension rights and the experience and on-going effects of actuarial valuation exercises.

BCC share the view of other pension fund authorities in that it cannot comply with the originally proposed date of 31 July in the draft regulations because the data would not be in a cleansed format suitable for the proposed statutory cost-share exercise.

While the majority of employers within the BCC pension fund provide accurate timely data, a number of employers do not, leading to inaccurate pension records and additional administration for the pension team.

It is vital, in the period between now and the next actuarial valuation in 31 March 2010, that positive action is taken to improve the quality and timeliness of data flows and so help to

achieve a much smoother valuation exercise. This in turn will achieve the benefit of helping to ensure a more accurate and efficient modelling exercise for the cost-sharing process which, of course, becomes an essential step towards maintaining Scheme cost stability, affordability and sustainability.

It is proposed therefore to build on the good practices of some employers and to share their processes with some of our employers who struggle with the daily/monthly administration of their records. The SLA currently in place will be revised from 1 April 2009 to include penalties where data as stated in the SLA is not provided in a timely efficient manner.

Regulation 43 of the Local Government Pension Scheme (Administration) Regulations 2008 allows administering authorities to recover costs from an employing authority because of that employing authority's level of performance in carrying out its functions under these Regulations.

B. Other options available, and their pros and cons

To stay as we are, putting additional pension resources into resolving queries with employers, the cost of this shared by all employers. This seems unfair to the good employers who produce accurate and timely data to have to share the cost of additional pension resources (temporary staff and overtime) to resolve the queries of the poor employers and the outsourced schools payrolls.

C. Resource implications

The recommendation would ensure Pension services are charged to the employers causing the problem.

D. Legal implications

Pensions Funds are allowed to charge for additional costs incurred due to the poor performance of fund employers.

E. Other implications/issues

There are none.

F. Feedback from consultation and Local Member views

N/A

G. Communication issues

The charging structure will be attached to a revised SLA and issued to all employers in April 2009.

H. Progress Monitoring

The pensions team will continue to monitor the number of new queries for employers.

Background Papers

1. Regulation 43 of the Local Government Pension Scheme (Administration) Regulations 2008
 2. The pensions SLA
 3. Letter issued to all chief executives by the CLG on 11th February 2009
-

Additional costs arising from employing authority's level of performance

43.—(1) This regulation applies where, in the opinion of the appropriate administering authority, it has incurred additional costs which should be recovered from an employing authority because of that employing authority's level of performance in carrying out its functions under these Regulations or the Benefits Regulations.

(2) The administering authority may give written notice to the employing authority stating—

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the authority's opinion that the employing authority's contribution under [regulation 42\(1\)\(d\)](#) should include an amount specified in the notice in respect of the additional costs attributable to that authority's level of performance;

(c) the basis on which the specified amount is calculated; and

(d) where the administering authority has prepared a pension administration strategy under [regulation 65](#), the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraph (a), (b) or (c).

**Roles and responsibilities of
BCC Pension Fund Employing Authority
("The Employer")
and
Buckinghamshire County Council's
Pension Section (BCC)
in relation to administration of the new look
Local Government Pension Scheme 2008**

Effective Date: 1 April 2008

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NEW ENTRANTS TO THE SCHEME

All new employees under the age of 75 should be brought into the pension scheme immediately, EXCEPT FOR:

- Casual workers where there is no mutuality of obligation. This group of workers are not eligible to join the scheme.
- Fixed term contracts of less than 3 months. This group of workers are not eligible to join the scheme. If their contract is extended to take them over 3 months, they must be brought in from their next pay day. You may allow them to back date their membership to the date they started their employment.

Employees will pay contributions in accordance with the table below.

Band	Range (£) *	Contribution Rates (%)
1	0.00 - 12,000.00	5.5
2	12,000.01 - 14,000.00	5.8
3	14,000.01 - 18,000.00	5.9
4	18,000.01 - 30,000.00	6.5
5	30,000.01 - 40,000.00	6.8
6	40,000.01 - 75,000.00	7.2
7	75,000.01 or over	7.5

* The band ranges will increase in line with the Retail Price Index each April, from April 2009.

Part-time and Term-time workers:

Where a member of the scheme works part-time, their pay is pro-rated to its full-time equivalent for the purpose of assessing which band applies to them.

If the member is a term-time only employee because of the nature of the job (e.g. an employee who works as a learning support assistant at a school), their full-time equivalent is based on the number of term-time weeks plus their holiday entitlement.

For example:

39 weeks term + 4.6 weeks holiday = 43.6 weeks
37 hours per week, 43.6 weeks per year

Where an employee chooses to work term-time only to suit their lifestyle, they are classed as a part-time worker and the above provisions for part-time workers would apply.

Example of part-time employee who voluntarily works term-time weeks:

37 hours per week, but "term-time" weeks only by choice rather than business need; 43.6 weeks per year.

Basic: 1480.09

LGPS: 100.27

Band Assessment: $1480.09 \times 12 \times 52 \div 43.6 = 21183$, therefore Band 4; 6.5%

Example of full-time, Term-time only employee:

37 hours per week, term-time only, due to the nature of the employment (employed at a school) 43.6 weeks per year.

Basic: 1480.09
LGPS: 87.33

Band Assessment: $1480.09 \times 12 = 17761.08$, therefore Band 3; 5.9%

Action required by Employing Authority:

When setting up a new payroll record for an employee, the Employer will automatically enter an eligible employee into the pension scheme from the first day of employment.

If an employee who is not a scheme member opts in to the pension scheme, the Employer will bring the employee into the pension scheme from their next pay date. An employee on a fixed term contract of less than 3 months who has it extended beyond 3 months will be entered into the scheme from their next pay date.

You must issue the employee with a written notification detailing which band you have allocated them to, notifying them of their right to appeal against this, or any, of the decisions you have made in relation to their pensionable status.

On a monthly basis, the Employer will provide a spreadsheet to BCC by email to pensions@buckscc.gov.uk, detailing all new entrants to the pension scheme. An example of the spreadsheet is attached. Only the highlighted columns should be completed by the Employer and should contain the following information:

- Payroll number
- Home address
- Post code
- NI number
- Surname
- Forenames
- Title
- Sex
- Marital status – optional
- Date of Birth
- Date joined Fund
- Actual remuneration/Full-time equivalent pay
- Contribution rate
- Part-time Indicator
- Part-time hours

Action required by Employing Authority:

Each month the Employer will send the spreadsheets to BCC by email to pensions@buckscc.gov.uk.

The Employer will issue the original statutory notification as detailed below to the employee, retaining the copy for their records.

Action required by Buckinghamshire County Council:

On receipt of the above spreadsheet, BCC will set up a pension record on their system for each employee. A statutory notification will be produced confirming the employee's pensionable status. An original and a copy will be sent to the Employer. The original should be issued to the employee and a copy retained by the Employer for their records.

CHANGES

Any changes that occur during membership must be notified immediately to BCC. Failure to notify BCC of these changes promptly may delay the issue of an annual benefit statement, or mean that any statement issued is incorrect. It could also affect the calculation of the member's benefits when they leave or retire.

You may have decided to review employees' contribution bands where there is a change that will move them from one band to another.

On a monthly basis the Employer will provide a spreadsheet to BCC detailing all relevant changes. Examples of the spreadsheets are attached. Only the highlighted columns should be completed by the Employer and should contain the following information:

Hour/Band/Name Changes:

- NI Number
- Surname
- Forenames
- Date commenced current pensionable service
- New part time hours or percentage
- Previous part time hours or percentage
- Date of change
- Full time equivalent salary
- Contribution rate

Address Changes:

- NI Number
- Address
- Name

Action required by Employing Authority:

Each month the Employer will send the spreadsheets to BCC by email to pensions@buckscc.gov.uk, detailing all relevant changes to member's records. This will include changes of hours or weeks worked, change of salary where this affects the contribution band, change of name or change of address.

The employer will issue the original statutory notification as detailed below to the employee, retaining the copy for their records.

Action required by Buckinghamshire County Council:

On receipt of the above spreadsheet, BCC will amend the member's record with the information provided. A statutory notification will be produced confirming the employee's change of pensionable status. An original and a copy will be sent to the Employer. The original should be issued to the employee and a copy retained by the Employer for their records.

REDUCTION IN PAY

Final pensionable pay is normally based on the full-time equivalent pay for the last 12 months. If either of the two previous years' pay is higher, either of these two preceding years may be used, calculated to the anniversary of the member's last day of service.

If, on or after 1st April 2008 and within 10 years of leaving, a member (voluntarily or compulsorily) has restricted pay, reduces their grade or moves to a position with less responsibility, the employee can choose to use the average of any 3 consecutive years pay in the last 10 years ending on a 31st March (plus RPI from the end of the 3 year period).

Action required by Employing Authority:

The Employer will need to ensure that payroll data is kept for 10 years in respect of cases falling into this category.

Action required by Buckinghamshire County Council:

BCC will use the final pensionable pay as notified to them by the Employer.

MONTHLY CONTRIBUTIONS

Pension contributions will be paid over to the BCC Pension Fund each month, no later than 19 days following the month in which the deduction was made.

Action required by Employing Authority:

Due to the changes to the LGPS that came into effect on 1 April 2008, BCC's Treasury Team have introduced a new form to monitor the pension contributions paid over each month by Employers. It replaces the form that has previously been used by Employers when they've paid over monthly pension contributions.

- The purpose of the form is to allow both the Employer and the Pension Fund the opportunity to check contributions paid under the new rules.
- The form has been designed to be completed and returned as an Excel file.
- On the form there are two tabs that have input areas where data needs to be entered and a third tab that only contains data for a look-up table.
- On the **Summary Sheet** and **Employee Data** tabs the data input areas have been highlighted in yellow.
- There are some checks in the **Employee Data** tab – these are meant to be warnings of potential errors and can be ignored if the employer is satisfied that the information is correct.
- The form contains some example data to illustrate how the form works. This dummy data should be deleted before the form is used.

The monthly return form is a spreadsheet (attached). The full instructions for completing the monthly return can be found in the appendices. If you have any questions or require any assistance with completing this form, please email treasury@buckscc.gov.uk , who will get back to you as soon as possible.

Once completed, the monthly return form should be emailed to treasury@buckscc.gov.uk

Action required by Buckinghamshire County Council:

On receipt BCC Treasury will check the monthly return form and allocate the contributions to each Employer.

YEAR-END RETURN

A year-end return must be supplied to BCC detailing employee and employer pension contributions and National Insurance earnings up to 31 March. BCC will send an email to the Employer in February with the spreadsheets to be used. The spreadsheets must be completed and returned to BCC on or before 30 April.

Action required by Employing Authority:

The return should be emailed to pensions@buckscc.gov.uk no later than 30 April.

Action required by Buckinghamshire County Council:

On receipt of the spreadsheet, BCC will load the data onto their system. The employee's pension contributions will be converted to a pensionable pay figure for the year.

If there is an increase of more than 10% or a reduction in pay of any amount when compared with the previous year's pay figure, an error will be generated. BCC will attempt to clear all errors from information already held. Those errors which cannot be resolved will be sent to the Employer to resolve. The main reason for the variance in pay could be a change in hours, the member has left, or had a period of unpaid leave/sickness and BCC have not been notified.

Once all queries have been resolved by the Employer, BCC will amend the records on their system. Annual benefit statements can then be produced. These will be issued to the Employer for internal distribution to members, or the Employer may request that BCC Pensions issue the statements to members' home addresses. The Employer will need to provide an up-to-date spreadsheet of member's home addresses and will be charged for the postage.

ADDITIONAL CONTRIBUTIONS

Additional Voluntary Contributions (AVCs)

Members may make an election, at any time, to pay AVCs. Members can choose between our two AVC providers, Clerical Medical and Prudential.

New Contributors

Action required by Buckinghamshire County Council:

Members will be asked to send their application form to BCC. BCC will copy the form for their records and update their system. BCC will then forward the original form with the member's signature on to the Employer for action. An email will also be sent confirming the deduction amount.

Action required by Employing Authority:

On receipt of the original AVC application form from BCC, the Employer should check the amount does not exceed 50% of monthly taxable pay and set up the deduction on payroll. The deduction may be expressed as a percentage or as a monetary amount. The Employer should NOT action an application form directly from the member. The form should be forwarded to BCC and the Employer should take no action unless notified by BCC.

Procedure for changes to AVCs in payment

Action required by Employing Authority:

Members will be told to email or write to the Employer if they wish to alter or stop their AVC contributions. The Employer should either send a copy of the letter or forward the email to BCC, confirming the necessary action has been taken. The Employer is responsible for checking that the revised amount does not exceed 50% of monthly taxable pay.

Action required by Buckinghamshire County Council:

On receipt of the confirmation from the Employer, BCC will update their system.

Monthly AVC payover

Action required by Employing Authority:

AVC payments in respect of members must be paid over to Prudential and Clerical Medical no later than 19 days following the month in which the deduction was made. A schedule is to be emailed to Prudential and Clerical Medical showing a breakdown of the amount paid by each member. A new contributor schedule is also to be sent each month, if there have been new contributors that month, detailing the names of new contributors, their NI numbers, amount paid and their chosen investment option.

If you have any queries regarding paying over contributions, please contact the provider directly at:

- Prudential – Natalie Read, email: Natalie.Read@prudential.co.uk
- Clerical Medical – Becky Diamond, email: Rebecca.Diamond@clericalmedical.co.uk

Action required by Buckinghamshire County Council:

No action is required by BCC.

Additional Regular Contributions (ARCs)

A member may request an estimate from BCC for the purchase of additional pension by means of ARCs. If the member wishes to proceed with the purchase, the contract will commence from their next pay date, for a period chosen by the member. ARCs will always be a fixed monthly amount (but may be subject to review by the Government Actuaries Department).

Some members may be paying additional contributions to buy added years - these contracts are payable up to the eve of the member's earliest retirement age. These contracts will continue, but elections to purchase added years must have been made by 31 March 2008. You may have new added years contracts starting up to 31 March 2009, as added years contracts start from the member's next birthday, but there will be no new contracts after this date.

Action required by Buckinghamshire County Council:

On receipt of the member's application, BCC will update their records and notify the Employer by email to commence ARCs, detailing the deduction period and the deduction amount.

Action required by Employing Authority:

Upon receipt of the above email, the Employer will set up the ARCs as instructed. This will be paid over to BCC each month, along with the standard monthly LGPS contributions.

OPT OUTS

A member may opt out of the pension scheme at any time by notifying the Employer in writing that they wish to do so. This is normally done by completing the opt out form included with the starter pack, or by email/letter to either payroll or Pensions. Once a member has been in the pension scheme for 3 months (or has transferred in previous pension rights) they cannot have a refund of their contributions.

Action required by Employing Authority:

A member must notify the Employer directly if they wish to opt out of the pension scheme by filling in the opt out form or by email/letter to the Employer. They should be taken out of the scheme from the month in which their election is received.

- If the option is received within 3 months of commencement, the Employer will refund all pension contributions deducted and adjust payroll for tax and National Insurance.
- If the member has been in the scheme for more than 3 months, they cannot have a refund of their contributions and the “Early Leaver” form needs to be completed.

If the Employer has previously entered this person on the monthly new starter spreadsheet, an email should be sent to BCC notifying them that the member has opted out, confirming that all contributions have been refunded and the necessary adjustments have been made for tax and National Insurance.

If the person has not been entered on the spreadsheet, BCC do not need to be notified that they have not joined.

Action required by Buckinghamshire County Council:

If BCC receive an opt out form, letter or email from the member who wants to opt out, they will forward it to the Employer for action.

UNPAID LEAVE

Authorised Unpaid Leave

Pension contributions must be deducted for the first 30 days of authorised unpaid leave. This can be done either before or after the person takes the leave. If the leave exceeds 30 days, the member may elect to buy back the period in excess of the 30 days, up to a maximum period of 36 months.

The member should elect within 30 days of their return if they want to buy back the period, but the Employer has discretion to extend this deadline. The contributions may be deducted as a one-off lump sum or over a period of time as agreed by the Employer. The contributions must be deducted directly from the member's pay - the member should not send in a cheque, as they will not get the tax relief due.

Action required by Employing Authority:

The Employer will take pension contributions for the first 30 days of any period of unpaid leave. If the leave exceeds 30 days, the Employer will calculate the arrears due for the period and contact the member, giving them the option to pay the arrears in order for the service to count for pension purposes. Whatever the member's decision, BCC must be notified of the dates and whether or not pension contributions have been paid. This can be done on the Arrears/Absence spreadsheet.

Action required by Buckinghamshire County Council:

On receipt of the confirmation from the Employer, BCC will update the member's record with the dates.

Maternity Leave

Contributions should be taken on all pay up to the point where the member goes onto no pay. The member has the option to pay arrears of contributions for the unpaid period upon their return to work. Employer contributions should be paid on the notional pay the member would have received up until they go onto unpaid leave.

Action required by Employing Authority:

Calculate the arrears due for the unpaid period and contact the member giving them the option to pay the arrears in order for the service to count for pension purposes. The arrears should be based on the weekly pay in the last week the member was paid, i.e. half pay plus SMP, or just SMP. This should be multiplied by the number of weeks and days (each day expressed as 1/7) multiplied by the contribution rate. Whatever the member's decision, BCC must be notified of the dates and whether or not pension contributions have been paid. This can be done on the Arrears/Absence spreadsheet.

Please note: if the employee elects to pay for the unpaid leave, employer contributions must be paid by the Employer on the notional pay the member would have received.

Action required by Buckinghamshire County Council:

On receipt of the confirmation from the Employer, BCC will update the member's record with the dates.

Strike

Pension contributions should not be deducted for strike days. However, the member may elect for contributions to be deducted after the strike. These must be deducted based on 16% of pay for each strike day. The member should elect within 30 days of the strike break in order for the period to count for membership, or such longer period as the Employer allows.

Action required by Employing Authority:

BCC need to be notified via the Arrears/Absence spreadsheet with the names and NI numbers of all members who have taken strike action, confirming whether or not the member elected to buy back the strike days.

Action required by Buckinghamshire County Council:

On receipt of the confirmation from the Employer, BCC will update the member's record with the dates.

Sick Leave

Contributions should be taken on all pay up to the point where the member goes onto no pay. The member does not have to buy back unpaid sick leave as this automatically counts for pension purposes.

It will not affect their pension record, but BCC do need to be told when a member goes onto half or no pay, otherwise the lower total contributions notified at year-end will cause an error warning and generate a query. This can be recorded on the Arrears/Absence spreadsheet.

ESTIMATES

BCC will provide estimates of pension benefits upon a request from the Employer. To request an estimate, the Employer should email the “Employer Request for Estimate of Retirement Benefits” form to pensions@buckscc.gov.uk. The form includes the following information:

1. Member’s name
2. National Insurance number
3. Payroll reference number
4. Proposed last day
5. Pensionable pay to be used
6. Type of retirement
 - Normal retirement – Age 65
 - Late retirement – After age 65
 - Voluntary early retirement – Age 60 to 64
 - Redundancy and efficiency – Age 55¹+
 - Ill health retirement – Any age²
 - 85-year rule – Age 55¹+
 - Flexible retirement - Age 55¹+

Please refer to the section detailing the different types of retirement if you are not sure what type of retirement is required. If in doubt, phone BCC for advice.

Members may request estimates themselves but only for normal, late or voluntary early retirement from the age of 60. If a member makes a request, BCC will email the Employer for the pensionable pay figure for the 12 months up to the date of the proposed retirement.

All other estimate requests must come from the Employer using the form provided as they are not voluntary and can only be triggered by the Employer.

Figures will be provided within 10 working days of the request.

PLEASE NOTE: BCC will provide two pension estimates per year as part of this SLA. If further quotes are required in any 12 month period BCC will charge for each additional estimate.

¹ The member may retire from the age of 50 if they were an active/contributing scheme member on 31 March 2008 and retire before 1 April 2010. If he/she joined the LGPS on or after 1 April 2008 their earliest retirement age is 55. From 1 April 2010 the earliest retirement age for all LGPS members will be age 55.

² BCC is unable to provide an ill health retirement estimate until the person has been referred to Occupational Health and the tier of ill health retirement confirmed.

RETIREMENT

Retirement can take many forms:

Normal retirement

Normal retirement occurs when a member ceases employment at the age of 65. The retirement date is the eve of their 65th birthday and the pension comes into payment on their 65th birthday.

Late retirement

A member can remain in the scheme until 2 days before their 75th birthday. If a person retires after age 65 it is considered a late retirement.

Voluntary early retirement

A member can elect to retire at any age between 60 and 65 and claim their pension benefits. If the member's age and service (in complete years) do not equal 85, their pension benefits are not paid automatically. The member will be given the option to take reduced benefits from the date of retirement, or to leave the benefits preserved until age 65, or the date the 85-year rule is satisfied (if earlier).

Redundancy and efficiency

If a member has attained the age of 55¹ and leaves on grounds of efficiency or redundancy, the pension benefits are payable immediately, without reduction for early payment.

Ill Health retirement

If a member's employment is terminated because of permanent ill health and the member has at least two years membership, the pension payable is to be based on the member's accrued membership:

1st Tier

- Plus 100% of prospective membership between leaving and age 65 where the member has no reasonable prospect of being capable of obtaining gainful employment² before age 65, or

2nd Tier

- Plus 25% of prospective membership between leaving and age 65 where the member is unlikely to be capable of obtaining gainful employment within a reasonable period of time but is likely to be capable of obtaining gainful employment² before age 65.

3rd Tier

- With no enhancement where the member is likely to be able to obtain gainful employment² within three years of leaving and are payable for so long as he is not in gainful employment².

¹ The member may retire from the age of 50 if they were an active/contributing scheme member on 31 March 2008 and retire before 1 April 2010. If he/she joined the LGPS on or after 1 April 2008 their earliest retirement age is 55. From 1 April 2010 the earliest retirement age for all LGPS members will be age 55.

² Gainful employment is defined as "paid employment for not less than 30 hours per week for a period of not less than 12 months".

There is to be an underpin for certain existing older members (aged 45 or over on 31st March 2008) so that they receive no less than they would have received under the current scheme rules (i.e. under the LGPS Regulations 1997).

85-year rule

A member who has attained the age of 55¹ and is under the age of 60 can ask for early payment of benefits. The request must be made in writing to the Employer (or former Employer where the member has already left). It will be at the Employer's discretion to agree to payment of benefits.

If the member's age plus service (in complete years) equal 85 or more, the benefits will be paid without reduction; if they do not, they will be reduced accordingly. The Employer may waive any reductions on compassionate grounds. The term 'compassion' is not defined within the Regulations - a decision to exercise compassion must be seen to be fair and justifiable.

The opportunity to request early payment of benefits can be a member-led option or only used by the Employer as an alternative to redundancy or efficiency. Please see our notes on "Protected Members" in the appendices.

Flexible retirement

From the age of 55¹ and with their Employer's consent, a member can retire, draw pension benefits in full or in part and continue to work in the same role, but with a reduction in hours and/or grade. This is an Employer discretion and all Employers must have a Flexible Retirement Policy.

Action required by Employing Authority:

In all cases of retirement a completed leaving form is required. This should be emailed to BCC Pensions at least 4 weeks before the person's retirement date. You do not need to wait until you have made your final salary payment as BCC do not need the P45 at this stage, the P45 can be sent later.

If the person is retiring on grounds of:

- a) Redundancy/Efficiency - The Employer must complete the Early Retirement Certificate. This must be **signed** by a person authorised by the Employer to sign off early retirements.
- b) 85-year rule/Flexible retirement (before age 60 where there is pension strain) – The Employer must complete the Early Retirement Certificate. This must be **signed** by a person authorised by the Employer to sign off early retirements.
- c) Ill Health – The ill health certificate as issued by Occupational Health must be sent to BCC.

Please note that pensions are paid on the last working day of each month. The close down for payroll input is the 15th of each month.

¹ The member may retire from the age of 50 if they were an active/contributing scheme member on 31 March 2008 and retire before 1 April 2010. If he/she joined the LGPS on or after 1 April 2008 their earliest retirement age is 55. From 1 April 2010 the earliest retirement age for all LGPS members will be age 55.

Action required by Buckinghamshire County Council:

On receipt of the Leaving form and Early Retirement/Ill Health Certificate (if appropriate), BCC will calculate the pension benefits and write to the member detailing their options.

When the member has returned their forms, BCC will pay the lump sum and commence payment of the member's pension.

Cost of early retirement (Pension Strain)

When benefits are paid earlier than normal, there may be a cost to the BCC Pension Fund. If an Employer decides to retire someone early (other than on ill health grounds or in some flexible retirement cases) they will be required to pay a contribution to meet the cost of the strain on the fund. This is known as Pension Strain. The cost may be paid as a one-off lump sum or spread over a 5 year period with 7½% compound interest.

If there is a pension strain, BCC will contact the Employer in May each year detailing the pension strain costs for the year. Employers will be asked how they wish to pay, either up front or spread over 5 years.

DEATH IN SERVICE

If a member dies in service there is a death grant payable of three times their annual pensionable pay. If the member has completed a death grant nomination form, the death grant can be paid straight away to the person or persons nominated, otherwise it is payable to the estate of the deceased.

If there is a widow, widower, civil or nominated cohabiting partner and/or eligible children, there may be pensions payable to them.

Action required by Employing Authority:

If possible, please obtain a copy of the death certificate and where appropriate copies of the birth and marriage/civil partnership certificates from the widow/widower/civil partner and copies of birth certificates of any eligible children.

The Employer will need to notify BCC of the member's death using the "Notification of Employee leaving where Pension Benefits will be paid" form, giving the name and address of the person/next of kin to contact.

Action required by Buckinghamshire County Council:

On receipt of the leaving form BCC will calculate the benefits due and write to the next of kin.

SCHEME LITERATURE

Various forms can be obtained from BCC by telephoning 01296 383755, by email request to pensions@buckscc.gov.uk or preferably by accessing our webpages at www.buckscc.gov.uk/pensions

Current literature includes:

- A starter pack for new entrants containing
 - Brief guide to the LGPS
 - Death grant nomination form
 - Cohabiting partner nomination form
 - Transfer Quote Request Pack
 - LGPS Interfund Transfer Form
 - LGPS Opt out form
- A retirement pack for members retiring
- AVC promotional literature

PRESENTATIONS AND TRAINING

BCC offers a variety of presentations available to scheme members and training sessions available to Employers.

Presentations include:

- Induction – For new employees
- Midlife Planning course
- Pre-Retirement Course

These courses are available upon request by Employers. Employers must provide the venue and notify employees concerned of its availability. Due to a high demand for courses, BCC cannot offer this service to groups of less than 20 people. A course will be cancelled unless the required number of employees is available.

To arrange a presentation, please email pensions@buckscc.gov.uk

LGPS Information Video

In 2007 the Local Government Employers organisation commissioned a video presentation to help LGPS pension funds and employers communicate the changes to the LGPS from 1 April 2008. A copy of the LGPS video, in DVD & CD-ROM format, was sent to all our Employers in February 2008 to use as required, in both communicating the changes to existing members of the LGPS moving over to the new look Scheme, and in communicating the key provisions of the Scheme to new LGPS members after 31 March 2008.

The presentation is split into three sections:

- Introduction – Why the scheme is changing
- Overview of the LGPS from 1 April 2008
- Questions and Answers for existing members

The “Overview of the LGPS” section covers the provisions of the Scheme that apply from 1 April 2008 only; the other two sections cover the effect of the changes on those employees who have pre-April 2008 LGPS membership.

Using the DVD / CD-ROM indicates that the viewer accepts the terms and conditions of its use (included on the discs).

Training

BCC are happy to visit Employers to go through this guide in detail. They will also offer assistance to Employers when filling in their annual LGPS returns.

Annual Meeting

A meeting is held each year in the autumn. Reports are given on the performance of the Fund, benefit entitlements and details of any changes due to take place in the following year. There are opportunities for Employers to raise questions. Employers will be invited to attend the next meeting closer to the time.

EMPLOYER DISCRETIONS

1. Transfer in of pension benefits after 12 months

Members should express their interest to transfer in previous pension rights within 12 months of joining the scheme. If a member applies to transfer in previous pension rights more than 12 months after joining, the late transfer can only be investigated with the Employer's permission.

2. Early retirement

Retirement before the age of 60 is at the Employer's discretion only. Employers must have a policy on Early Retirement, which must be reviewed regularly.

3. Augmentation

Augmented years or pension can be granted to a member at any time or any age. Employers do however normally decide to augment at retirement.

For help or advice on any of the above discretions, please contact Julie Vrondis on 01296 382328 or by email to jvrondis@buckscc.gov.uk



Pensions Section

Buckinghamshire County Council
County Hall
Walton Street
Aylesbury
Buckinghamshire
HP20 1UD

Website: www.buckscc.gov.uk/pensions/

Email: pensions@buckscc.gov.uk

APPENDICES

- i. Instructions for completing the Monthly Return spreadsheet
- ii. Employer Request for Estimate of Retirement Benefits
- iii. Notification of Employee Leaving where Pension Benefits will be Paid
- iv. Notification of Employee Leaving Early
- v. Notes on Pay: Pensionable, Final & Actual
- vi. Protected Members/Early Payment of Pensions

INSTRUCTIONS FOR COMPLETING THE NEW MONTHLY PENSION FORM

Because of the changes to the LGPS that came into effect on 1 April 2008, BCC's Treasury Team have introduced a new form to help monitor the pension contributions paid over each month by Employers. It replaces the form that has previously been used by Employers when they paid over monthly pension contributions.

- The purpose of the form is to allow both the Employer and the Pension Fund the opportunity to check contributions paid under the new rules.
- The form has been designed to be completed and returned as an Excel file.
- On the form there are two tabs that have input areas where data needs to be entered and a third tab that only contains data for a look-up table.
- On the *Summary Sheet* and *Employee Data* tabs the data input areas have been highlighted in pale yellow.
- There are some checks in the *Employee Data* tab – these are meant to be warnings of potential errors and can be ignored if the employer is satisfied that the information is correct.
- The form contains some example data to illustrate how the form works. This dummy data should be deleted before the form is used.

The *Summary Sheet* Tab

In the second tab titled "*Summary Sheet*" five pieces of information need to be entered into the highlighted yellow areas: -

1. The employer/contributing body name.
2. The contribution rate that applies to the employer/contribution body.
3. The month the pension contributions relate to.
4. The month the pension contributions were paid over to the Pension Scheme.
5. The employer contribution paid over.

All the other parts of the form summarise information from the *Employee Data* tab and do not require any input.

The *Employee Data* Tab

On the third tab titled "Employee Data" tab six pieces of information are required for each employee's contribution for the month: -

1. Employee's NI number.
2. Monthly pensionable salary.
3. Employee contributions paid based on pensionable salary.
4. Other employee contributions (excluding AVCs).
5. The percentage of a whole time equivalent that the employee works.
6. The employee's pension band range.

Once this information has been downloaded/input into the form the columns to the right will be populated confirming employee contribution rates, contribution overpayment/ underpayment, band ranges and a check on whether the pension band range looks reasonable.

These checks are only meant to be a guide to whether the data is correct.

Completion of form

Once the contribution data for the month has been entered into the form's tabs please check the summary form.

In particular, please check that the "total contributions paid over" box on the summary sheet agrees with amount you have paid / are going to pay to the Pension Fund.

Return Instructions

On completion the form should be emailed to treasury@buckscc.gov.uk .

Help

If you have any questions or require any assistance with completing this form, please email treasury@buckscc.gov.uk with your query and they will get back to you as soon as possible.

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**Local Government Pension Scheme
Buckinghamshire County Council
Employer Request for Estimate of Retirement Benefits**

Requests should be made by the Employer direct to the Pensions Section.

ESTIMATE DETAILS:

Please note an estimate cannot be provided unless ALL boxes below are completed.

Full Name:

Date of Birth:

NI Number:

Proposed last day of service:

Proposed type of retirement:

Please enter ONE of the following:

- Redundancy
- Ill Health
- Normal (Age 60+)
- Efficiency
- 85 year rule
- Flexible

Notional Full Time Equivalent Final Pay:
(average of pensionable pay for the 365 days immediately preceding last day of service) £

CONTACT DETAILS:

Name of person requesting estimate:

Job Title/Position:

Employer/Organisation Name:

Who should the quote be sent to?

What is their email address?

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**Local Government Pension Scheme
Buckinghamshire County Council**

Notification of Employee Leaving where Pension Benefits will be Paid
To be completed when an employee is retiring or has died whilst in employment.

EMPLOYEE'S DETAILS

Title (Mr/Mrs/Miss): _____ Surname: _____
Forenames: _____
Date of Birth: _____ NI Number: _____
Address: _____
Postcode: _____ Employment No: _____

EMPLOYMENT DETAILS

- Last day of Service:** (the last day of the employment or the last day in the scheme if different) *DD/MM/YYYY*
- Reason for leaving:** (please tick to show which applies)
Normal Retirement Redundancy Retirement *
Efficiency Retirement* Ill-Health Retirement *
Flexible Retirement * 85 year rule Retirement *
Death *Please provide the appropriate certificate.
- Amount of Employee Pension Contributions paid since the last 1st April:** £
- Final Pay* Full-time Equivalent (FTE):** £
Please show your workings in the box below.
*Please see notes for calculating Final Pay

5. **Actual Pay (FTE) at date of leaving:** £

Please ensure that you also forward the P45 to the Pensions Section so that we can apply the appropriate tax code.

Name of person completing form: _____
Employer/Organisation Name: _____
Date: _____



**Local Government Pension Scheme
Buckinghamshire County Council**

Notification of Employee Leaving Early

To be completed when an employee leaves employment, for reasons other than retirement.

EMPLOYEE'S DETAILS

Title (Mr/Mrs/Miss): _____ Surname: _____
Forenames: _____
Date of Birth: _____ NI Number: _____
Address: _____

Postcode: _____ Employment No: _____

EMPLOYMENT DETAILS

6. Last day of Service: (the last day of the employment or the last day in the scheme if different) *DD/MM/YYYY*

7. Did the employee leave for any reason other than voluntary resignation? (e.g. dismissal) *YES/NO*

8. Amount of Employee Pension Contributions paid since the last 1st April: £

9. Amount of National Insurance Contracted-Out Earnings since the last 1st April*: £
*Only applicable if employee has less than 3 months LGPS membership.

10. Final Pay* *Full-time Equivalent (FTE)*:
Please show your workings in the box below.
*Please see notes for calculating Final Pay.

11. Actual Pay (FTE) at date of leaving: £

Name of person completing form: _____
Employer/Organisation Name: _____
Date: _____

NOTES ON PAY: PENSIONABLE, FINAL & ACTUAL

In pension terms “pay” means the element of reward on which pension contributions are calculated, and “pay” during the ‘final pay’ period (365 days or 1 calendar year preceding relevant date) is used to calculate benefits.

The LGPS regulations state that an employee’s pay is the total of:

- Salary, wages, fees and other payments made to him for his own use in respect of his employment.
- Any other payment or benefit specified in his contract of employment as being a pensionable emolument.

And does not include:

- Non-contractual overtime
- Travel, subsistence or other allowance paid in respect of employee expenses
- Payment for loss of holiday entitlement
- Payment in lieu of notice of termination of contract
- Payment as inducement not to terminate contract

Pay must be taxable to be pensionable **but** not all taxable pay is pensionable.

Final pay, broadly speaking, is the pay on which contributions were paid, or deemed to have been paid, in the last 365 days of employment. If, on or after 1st April 2008 and within 10 years of leaving, a member (voluntarily or compulsorily) has restricted pay, reduces their grade or moves to a position with less responsibility, the employee can choose to use the average of any 3 consecutive years pay in the last 10 years ending on a 31st March (plus RPI from the end of the 3 year period).

If there is a gap in contributions, due to a leave of absence other than sickness, the Final Pay should be calculated based on the period actually worked and proportioned to a full year (see examples). In the event of strike break the ‘calendar year’ is replaced by the last 365 days of employment in which contributions were paid. Where there has been an absence due to sickness, any reduction in pay and contributions is treated as though it had not occurred.

Calculation of Final Pay

The method of calculation depends upon how the individual is paid i.e. weekly or monthly. The easiest way to show how Final Pay is calculated is by looking at a few examples.

Monthly Paid

The basic calculation is:

Full-time equivalent annual pensionable salary x Month (and/or proportion of month) x 1/12 = **£ A**

This above calculation is performed for each different rate of pay throughout the year. Any pensionable allowances should be included in the pensionable salary. We have provided three examples below to illustrate how the calculation is used. In each example we assume a pay award on 1 April.

1. Monthly paid employee
2. Monthly paid employee – worked for less than 365 days
3. Monthly paid employee – with a strike break in the final pay period
4. Monthly paid employee - with a service break (other than strike)

1. **Mr A Example** Date of Leaving: 30 May 2009

31.05.08 to 31.03.09 £12500 x (1/31) + 10 x 1/12 = 10450.27
01.04.09 to 30.05.09 £13600 x (30/31)+ 1 x 1/12 = 2230.11
Total Final Pay 12680.38

2. Mr B Example

Date of Leaving: 19 December 2008

01.03.08 to 31.03.08	£12500 x 1	x 1/12 =	1041.67
01.04.08 to 19.12.08	£13600 x (19/31)+8	x 1/12 =	<u>9761.29</u>
Sub-total			=10802.96

10802.96 / 294 x 365 = £13411.84 (Total Final Pay)

NB: Where a member hasn't completed a full year in the scheme, work out the Final Pay as normal, calculate the days the person was actually in the scheme, divide your sub-total by these days and multiply by 365 to make it up to a full year.

3. Mr C Example

Date of Leaving: 30 May 2009

31.05.08 to 29.03.09	£12500 x (1+29/31) + 9	x 1/12=	10383.06
01.04.09 to 30.05.09	£13600 x (30/31)+1	x 1/12=	<u>2230.11</u>
Sub-total			= 12613.17

12613.17 / 363 x 365 = £12682.66 (Total Final Pay)

N.B: Where there has been a break in service **due to strike** during the averaging period, calculate the final pay as normal, excluding the period of the break. Work out the number of days worked in the averaging period, divide the sub-total by the number of days worked and multiply by 365. This gives you the Final Pay for a full year.

4. Mrs D Example

Date of Leaving: 30 May 2009

Had unpaid maternity leave of 62 days from 05.06.08 to 05.08.08

30.03.08 to 31.03.08	£12000 x (2/31)	x 1/12 =	64.52
01.04.08 to 04.06.08	£12500 x (4/30) + 2	x 1/12 =	2222.22
06.08.08 to 31.03.09	£12500 x (26/31) + 7	x 1/12 =	8165.32
01.04.09 to 30.05.09	£13600 x (30/31) + 1	x 1/12 =	<u>2230.11</u>
			12682.17 (Total Final Pay)

N.B: Where there has been a break in service for reasons other than strike (such as unpaid maternity leave), during the averaging period; the 'calendar year' is replaced by the last 365 days of employment in which contributions were paid

Any variable pensionable allowances should be added onto the end of the Final Pay calculation. Allowances such as 'Sleep-in' duties should not be pro-rated up to full-time. If the employee has worked a part-year these allowances should be added to Final Pay before the figure is pro-rated up to a full year.

Weekly Paid

The basic calculation is:

Full-time equivalent weekly pensionable salary x No. of weeks (or proportion of week) = £ A

The above calculation is performed for each different rate of pay throughout the year. Any pensionable allowances should be included in the pensionable salary. We have provided three examples below to illustrate how the calculation is used. In each example we assume a pay award on 1 April.

1. Weekly paid employee
2. Weekly paid employee – worked for less than 365 days
3. Weekly paid employee – break of service in the middle.

1. Mr A Example Date of Leaving: 30 May 2009

31.05.08 to 31.03.09	£239.46 x 43.4 =	10392.56
01.04.09 to 30.05.09	£260.54 x 8.6 =	<u>2240.64</u>
Total Final Pay		<u>12633.20</u>

2. Mr B Example Date of Leaving: 19 December 2008

01.03.09 to 31.03.09	£239.46 x 4.4 =	1053.62
01.04.09 to 19.12.09	£260.54 x 37.6 =	<u>9796.30</u>
Sub-total		=10849.92

10849.92 / 294 x 365 = £13470.14 (Total Final Pay)

NB: Where a member hasn't completed a full year in the scheme, work out the PR as normal, calculate the number of days the person was actually in the scheme, divide you sub-total by these days and multiply by 365 to make it up to a full year.

3. Mr C Example Date of Leaving: 30 May 2009

31.05.08 to 29.03.09	£239.46 x 43 =	10296.78
01.04.09 to 30.05.09	£260.54 x 8.6 =	<u>2240.64</u>
Sub-total		= 12537.42

12537.42 / 363 x 365 = £12606.50 (Total Final Pay)

N.B: Where there has been a break in service **due to strike** during the averaging period, calculate the final pay as normal, excluding the period of the break. Work out the number of days worked in the averaging period, divide the sub-total by the number of days worked and multiply by 365. This gives you the Final Pay for a full year.

4. Mrs D Example Date of Leaving: 30 May 2009

Had unpaid maternity leave of 62 days from 05.06.08 to 05.08.08

30.03.08 to 31.03.08	£230.14 x 0.2 =	46.03
01.04.08 to 04.06.08	£239.73 x 9.4 =	2253.46
06.08.08 to 31.03.09	£239.73 x 34 =	8150.82
01.04.09 to 30.05.09	£260.82 x 8.6 =	<u>2243.05</u>
		12693.36 (Total Final Pay)

N.B: Where there has been a break in service for reasons other than strike (such as unpaid maternity leave), during the averaging period; the 'calendar year' is replaced by the last 365 days of employment in which contributions were paid.

Any variable pensionable allowances should be added onto the end of the Final Pay calculation. Allowances such as 'Sleep-in' duties should not be pro-rated up to full-time. If the employee has worked a part-year these allowances should be added to Final Pay before the figure is pro-rated up to a full year.

PROTECTED MEMBERS / EARLY PAYMENT OF PENSIONS

If members voluntarily retire before age 65, their benefits may have reductions applied before they are paid. If they were contributing to the Scheme on 30 September 2006, they may have protected rights regarding early payment of their benefits. The reductions depend on whether they satisfy what is known as “the 85-year rule” and whether they fall into a protected category of membership.

The 85-year rule

Historically the 85-year rule has allowed scheme members to retire before age 65, without reductions, providing that at retirement their age and service (both measured in whole years) adds up to at least 85, e.g. age 65 + 25 years membership = 85.

Where this rule is not met, reductions are applied to the pension and lump sum based on the period between the date the benefits are paid and the date the member would have met the 85-year rule. Where the 85-year rule is not met before age 65, the reductions are based on the period to age 65.

If a member wishes to voluntarily retire between the ages of 55 and 60, employer’s consent is needed before benefits can be paid.

From 1 October 2006 the 85-year rule has been removed from the LGPS, but there are a number of protected categories of membership. It should be noted that if a member would never have satisfied the 85-year rule before age 65, they are not affected by its removal. The full list of categories is as follows:

1. Members who joined the scheme on or after 1 October 2006

The 85-year rule will not apply to any of their service. If benefits are taken before age 65, reductions will apply, based on the period between the date benefits are paid and age 65.

2. Members who joined the scheme before 1 October 2006 and don’t turn 60 before 1 April 2020

The 85-year rule will apply to any benefits based on service up to 31 March 2008. This means that if they retire before age 65, their benefits will be assessed in two parts:

- The pension and lump sum based on their pre 1 April 2008 service will be reduced if they don’t meet the 85-year rule. The reduction will be based on how far short they are of satisfying the rule. If they meet the 85-year rule at retirement there are no reductions.
- The pension based on the service from 1 April 2008 will be reduced based on the number of years from retirement to their 65th birthday.

3. Members who joined the scheme before 1 October 2006 and who turn 60 before 1 April 2016

The protection for the 85-year rule is extended to 31 March 2016. This means that if they retire before age 65, their benefits will be assessed in two parts:

- The pension and lump sum based on their pre 1 April 2016 service will be reduced if they don’t meet the 85-year rule. The reduction will be based on how far short they are of satisfying the rule. If they meet the 85-year rule at retirement there are no reductions.
- The pension based on the service from 1 April 2016 will be reduced based on the number of years from retirement to their 65th birthday.

4. Members who joined the scheme before 1 October 2006 and who turn 60 between 1 April 2016 and 31 March 2020

The 85-year rule continues to be applied in full to any benefits based on service up to 31 March 2008. In addition, the benefits based on service from 1 April 2008 to 31 March 2020 will have the 85-year rule applied in part, which gives some protection, but not complete protection. This means that if they retire before age 65, their benefits will be assessed in three parts:

- The pension and lump sum based on their pre 1 April 2008 service will be reduced if they don't meet the 85-year rule. The reduction will be based on how far short they are of satisfying the 85-year rule. If they meet the 85-year rule at retirement there are no reductions.
- The pension based on service from 1 April 2008 to 31 March 2020 will be reduced according to a sliding scale. The sliding scale takes into account both the date they meet the 85-year rule and their 65th birthday, which means that the reduction applied will be less than the full reduction that would have applied if there was no protection.
- The pension based on the service from 1 April 2020 will be reduced based on the number of years from retirement to their 65th birthday.

What reductions will be applied to the Pension and Lump Sum?

The table below shows an extract of the reductions that will apply to the pension and lump sum depending on the number of years from their retirement date to age 65 (or the date the 85-year rule is satisfied, if they are covered by one of the 85-year rule protections highlighted earlier).

No. of years paid early	Pension reduction: men	Pension reduction: women	Lump sum reduction
0	0%	0%	0%
1	6%	5%	2%
2	11%	10%	5%
3	16%	15%	7%
4	20%	19%	9%
5	24%	23%	12%
6	28%	27%	14%
7	32%	30%	16%
8	35%	33%	18%
9	38%	36%	20%
10	41%	39%	22%

Example 1

A female with protected service up to 31 March 2016 where the 85-year rule still applies.

If the female member met the 85-year rule at age 62 and was retiring at age 60, she is retiring 2 years early. From the table it can be seen that her pension would be reduced by 10% and her lump sum by 5%.

Example 2

A female with service only from 1 October 2006 onwards, therefore no protected service.

If the female was retiring at age 62, she is retiring 3 years earlier than age 65; therefore the pension would be reduced by 15% and the lump sum by 7%.

Example 3

A male is retiring 2.5 years early.

Where the number of years early is not a whole number, the reduction will fall somewhere between two whole numbers. So, if a man was retiring 2.5 years early, the reduction would fall between the factor for 2 years early and the factor for 3 years early. In this case, the pension reduction would be 13.5 % (exactly halfway between 11% and 16%) and the lump sum reduction would be 6% (halfway between 5% and 7%).

FOR MORE INFORMATION CONTACT:

Pensions Section

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Buckinghamshire
HP20 1UD

Website: www.buckscc.gov.uk/pensions/

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11 February 2009

Dear Colleague,

LOCAL GOVERNMENT PENSION SCHEME – DATA QUALITY

The department recently concluded a statutory consultation exercise about future cost sharing arrangements for the Local Government Pension Scheme (LGPS) to provide the initial stages in its full introduction and implementation in England and Wales.

The first steps are to put in place a statutory requirement for each LGPS pension fund authority to provide the Secretary of State with the same data they provide their fund actuary at the time of the actuarial valuation due next at 31 March 2010. This allows a national model fund to be set up from which it will be possible to determine equitably the cost both to employees and employers of future accruals of pension rights and the experience and on-going effects of actuarial valuation exercises.

Responses to the current consultation highlighted issues relating to the provision of quality data. In particular, it has been suggested that LGPS pension funds cannot comply with the originally proposed date of 31 July in the draft regulations because the data would not be in a cleansed format suitable for the proposed statutory cost-share exercise.

This early warning about data quality in the proposed statutory timetable adds weight to administering authorities' insistence about receiving consistent quality data within a reasonable time scale, not just for the new cost share arrangements but also for their normal day to day management and operation of the Scheme, especially when managing administration agreements with employers.

Administering a pension scheme the size of the LGPS is a major and costly business. The most recent data available shows expenditure on administration of the LGPS in England and Wales totalled £113 million. It is vital, therefore, that the processes involved in sharing and providing data (principally HR and payroll information) is managed to the highest standards to protect funds from irregularities (including overpayments and potential fraud) but, perhaps, more importantly to ensure that statutory responsibilities are undertaken in the most efficient and value for money manner.

There is some concern that if this is not necessarily the case it could mean that employers are having to pay a higher, contribution rate than may be strictly necessary since the actuary, for example, is obliged to make more cautious assumptions based on non-validated items. Applying targeted resources to improve the level and standards of data quality in order to provide correct data and within acceptable timescales to the administering authority may actually result in savings for each individual employer.

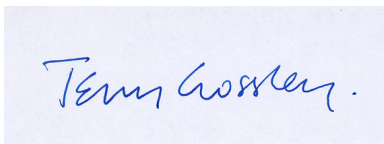
Regulatory steps have been introduced to the LGPS to improve data through the obligation to provide annual benefit statements and more latterly a provision to allow pension funds can enter into formal service level agreements with employers with the aim of improving data quality and controlling costs.

Continuing in this vein, the department, sees it as vital, in the period between now and the next actuarial valuation in 31 March 2010, that positive action is taken at both administering authority **and** at employing authority/employer level to improve the quality and timeliness of data flows and so help to achieve much smoother valuation exercises. This in turn will achieve the benefit of helping to ensure a more accurate and efficient modelling exercise for the cost-sharing process which, of course, becomes an essential step towards maintaining Scheme cost stability, affordability and sustainability.

It would be helpful to know if you were able to advise what steps your authority has taken to put in place an administration agreement with scheme employers, and what steps you propose to take to improve the quality of regular data flows to meet the challenges set out above in the context of the upcoming cost-share arrangements.

I am sending copies of this letter to Scheme pension managers and to members of the Association of Consulting Actuaries Local Government sub-committee.

Yours sincerely,

A rectangular box containing a handwritten signature in blue ink that reads "TBJ Crossley".

TBJ Crossley



Report to Pension Fund Consultative Group

Title: Valuation Preparation
Date: 19th March 2009
Date Decision can be implemented: n/a
Author: Principal Pensions Officer
Contact Officer: Chris Thompson 01296 382833
Electoral Divisions Affected: N/A
Portfolio Areas Affected: All

Summary

Purpose of report:

To draw PCFG's attention to the data requirements of Buckinghamshire County Council as Administering Authority in preparation for the 2010 Valuation of the Pension Fund as required under statute.

Recommendation

Members are asked to:

PFCG are asked to NOTE and impress on employers the information required from each employer to ensure accurate data is supplied to the Fund Actuary.

A. Supporting information:

Under Regulation 36 the Local Government Pension Scheme (Administration) Regulations 2008 Buckinghamshire County Council is required to obtain an actuarial valuation of the pension fund from which future employer contribution rates are set. The data that Buckinghamshire CC is required to supply to the Actuary in respect of each employee is derived from information supplied by each employer and it is vital that Pensions maintains accurate and up to date records.

From 2008/2009 each employer will be required to provide the following information in respect of each employee as part of the year end return:

NI Number
Surname
Forenames
Payroll reference
Date Joined Employer

Date Left (where applicable)
NI category
Reduced Rate NI
Contribution rate*
Pension Conts paid*
Strike Conts (where applicable)
NICO earnings
Additional Contributions paid (where applicable)
Part Time Service Buy Back (where applicable)
Birth Date

* With the introduction in the 2008 regulations of the contribution bandings (ranging from 5.5% to 7.5%) pensions will need to be provided with, where a change in banding has occurred, details of contributions paid and the relevant % contribution and the relevant date of any change.

From this information Pensions will calculate membership and a pensionable pay figure for each employee. Queries will be raised where there has been a decrease in pensionable pay when compared with the previous year or an increase in pay of more than 10% when compared with previous years.

The pay and membership calculated from the year end exercise will be provided to the Actuary to enable the actuarial valuation to take place.

Factors which could affect the calculation of membership and pay:

Change in hours: Will affect both membership and the pay calculated. Membership for a part time employee is a pro rata amount of the calendar length of membership determined by the hours worked. An incorrect record of a member's hours of employment could result in too much membership being recorded, which in turn would increase the scheme's liabilities and may result in a higher than necessary employer contribution rate.

Leave of absence: All details of leave of absence (paid and unpaid) should be notified to Pensions. An incorrect record could result in too much membership being recorded, which in turn would increase the scheme liabilities and may result in a higher than necessary employer contribution rates.

Leavers: The Actuary will assess future liabilities being accrued based on the membership and pay records as provided by Buckinghamshire County Council, and assuming that a member continues to accrue benefits at the same rate as at valuation date. It is vitally important therefore that all leavers are notified to BCC (as per Service Level Agreement) to prevent future liabilities being over assessed and employer contributions being set at a higher than necessary rate.

Starters: As with leavers the Actuary will assess future liabilities based on membership and pay records provided as at the valuation date (31/03/2010). It is therefore vitally important therefore that all new starters are notified to BCC (as per SLA) to ensure employer contribution rates are set correctly.

B. Other options available, and their pros and cons

N/A

C. Resource implications

The Pensions Administration team is funded by the Pension Fund. Year End processes generate a number of queries for the Pensions Team and Employers (over 2,500 queries

were generated from the 2007/2008 process). Many of these were as a result of information as detailed above not being supplied to the Pensions Team. Provision of information on a regular monthly basis as per the SLA will reduce the number of year end queries and reduce the pressure on both employers and the County Council. This will be especially important in valuation year as all year end queries will need to be resolved by 30 June 2010. With reference to the Charging Structure report as presented by Julie Vrondis, this ties in with the principle of this report.

D. Legal implications

It is a statutory obligation for the County Council to provide a Pensions Service on behalf of Scheme employers. The County Council has a statutory obligation to obtain from the Fund Actuary a valuation report and rates and adjustments certificates every three years starting 31 March 2010.

E. Other implications/issues

There are none.

F. Feedback from consultation and Local Member views

None



Report to Pension Fund Consultative Group

Title: Pensions Section Business Plan 2009/2010

Date: 19th March 2009

Date Decision can be implemented: N/A

Author: Principal Pensions Officer

Contact Officer: Claire Perry, 01296 383713

Electoral Divisions Affected: N/A

Portfolio Areas Affected: None

Purpose of Report

To present the integrated Pensions Section Business Plan for 2009/2010.

Background

On 1 January 2009 the County Council's Teacher's Pay & Pensions Section merged with the Local Government Pensions Section. The Treasury Team will join them on 1 April 2009. This is a result of the wider Finance restructure providing a 'one stop shop' for Pensions.

Members are asked to:

Note the report and comment as appropriate.

A. Supporting information:

The attached business plan outlines key targets for the team for the coming year.

B. Other options available, and their pros and cons

N/A

C. Resource implications

None. Teachers Pay & Pensions will continue to be funded by the County Council's Revenue budget and any time provided by the Pensions Section will be recharged. The Treasury Team's charges are already split between the Pension Fund and the Revenue Budget. The merger of the three teams will generate savings for both the Fund and the Revenue budget.

D. Legal implications

N/A

E. Other implications/issues

None

F. Feedback from consultation and Local Member views

N/A

G. Communication issues

None.

H. Progress Monitoring

Business Plan objectives will be monitored as part of the County Council appraisal process and at weekly Team and monthly Section meetings.

Background Papers

1. Business Plan
-

Benefit Administration Team

Target	Owner	Due Date
Initiate Mentor/Buddy System	Benefit Administration Team	ASAP
Continue Bite Size Training Sessions	Benefit Administration Team	As required
Complete Record Splitting Project	Benefit Administration Team	31st March '10
Complete Guaranteed Minimum Pension (GMP) Project	Benefit Administration Team with Kat Woodard leading	31st March '10
Integrated Training	All (Section wide: buddies & mentors training)	ASAP workloads permitting
Complete Pensions Increase Project	Sam Howe	31st March '10
Word integration & document generation project	Benefit Administration Team (feedback improvements)	31st March '10
Payroll Interface preparation	Benefit Administration Team/Systems Team - workload	31st March '10
Investigate Teachers' Pensions Agency links	Benefit Administration Team/Teachers Team	Begin investigation 1st April '09

Client Liaison

Target	Owner	Due Date
Record Splitting	Client Liaison Team	As identified through Year End
Resources action plan	Client Liaison Team/Benefit Administration Team	ASAP
Employer visits & fees consideration	Client Liaison Team/Benefits Administration Team with CP/KH leading	ASAP
Year End & preparation	Client Liaison Team	Work on biggest employers first
Knowledge share with Teachers' Pensions Agency	Client Liaison/Teachers Team	Begin investigation 1st April '09

Systems

Target	Owner	Due Date
System support for Teachers with Axis	Systems with Mike Dean leading. Investigate: scanning, doc gen, task management	Begin investigation 1st April '09
Interfacing Starters, Changes Leavers	Systems with Mike Dean leading. Investigate: scanning, doc gen, task management	Once record splitting project complete
Electronic Contributions Agency forms	All & Mike Dean leading	31st March '10
Axis Payroll – printer & sealing	Systems Team	Begin researching 1st April '09
Hosted System costing & renewal	Mike Dean	Dec '09 for new contract Feb '10
Year End – anything to improve? Preparation for Valuation.	Systems Team	Begin investigation 1st April '09
Electronic update of Guaranteed Minimum Pensions	Systems Team with Mike Dean leading	31st March '10
Annual Benefit Statements feedback forms & inbox	Systems	Begin researching 1st April '09

Teachers Pay and Pensions

Target	Owner	Due Date
Annual Service Review	Teacher's Team	28th August 2009
Payment of Contributions to Teachers' Pensions Agency	2 rotational staff from Teachers Team & Chris Thompson	Monthly on 7th Month by 9:30am
TR17 Audit (Teachers & Authority contributions)	Chris Thompson	Annual
Balance Pension Contributions	Teacher's Team/Chris Thompson	November 2009 ready for Audit
Salary Review	Teacher's Team/Chris Thompson	Aug-09
Teachers Records on Axis Investigation	Teacher's Team/Systems Team	Initial investigation to begin 1st April '09
Set up Task Management System	Teacher's Team/Systems Team	Initial investigation to begin 1st April '09
Preparation for high level Queries after ABS's sent	Teacher's Team	31st March '09
Investigate "Golden" rewards	Teacher's Team	As information is available '09

Treasury

Target	Owner	Due Date
Paper to Scanned project	All	Begin 1st April '09
Replace "Red Book"	All	31st March '10
Improve Can/Can't do list	All	31st March '10
Re-tender Treasury contract	All	31st March '10
Re-tender Pension Fund investment advisor	All	31st March '10
Appoint Hexagon Approvers	All	ASAP
Appoint 2 Transition Managers	All	ASAP
Track investment market changes & impact on funds	All	Ongoing
Working with Revenue	All	Ongoing
New Bank contract	All – Revenue leading	By 28th February '10 (Live from 1st April '10)
Develop Quarterly Pension Accounts	All	31st March '10
SAP reporting assistance	Patrick McGovern /Bruce Marshall	From 1st April '09
Begin input into Employer's Quarterly Newsletter	All	From 1st April '09
Train stand ins for Patrick McGovern and Bruce Marshall	All	ASAP
Prepare for Audits	All	Ongoing
Prepare for Pen Fund Committee meetings	All	Bi - Monthly
Prepare for Head of Finance meetings	All	Monthly



Report to Pension Consultative Group

Title: Annual General Meeting

Date: 19 March 2009

Date Decision can be implemented: 19 March 2009

Author: Clive Palfreyman, Assistant Head of Finance

Contact Officer: Clive Palfreyman, Assistant Head of Finance

Electoral Divisions Affected: n/a

Portfolio Areas Affected: All

Summary

The Local Government Pension Scheme Regulations do not require that an Annual General Meeting is held. However it is widely regarded as being good practice to do so. Bucks CC (the Administering Authority) have traditionally had poor attendance at such events.

Recommendation(s)

PFCG Members are asked CONSIDER the Administering Authority's plans for the 2010 Annual General Meeting.

A. Main issues arising

Until 2007, the LGPS Pensions Team at Bucks CC had organised an Annual General Meeting. The format was usually a half day session, with guest speakers (such as the Actuary, a Fund Manager and Officers from the Pensions Team) and an update on key issues such as changes to the scheme. Members of the Pension Fund Committee, Employee representatives and Employer representatives (there are over 130 employers in the scheme) are invited and the session is followed by a lunch. Costs are kept to a minimal as a venue is usually secured from one of our employers at nominal cost and only specialist speakers generally charge a fee. Refreshment costs and officer time costs are in addition to this.

Recent events have been poorly attended and in 2008 an event was not held. Only one query was received. Twenty-two people attended the 2007 events and feedback from those not attended centred mainly on a lack of time to attend. Due to the cost and time taken to plan and prepare for such events, it is considered that this does not deliver value for money to the Fund.

However, the LGPS team do take communication with stakeholders seriously and propose to provide a mini-AGM on the Council's website. In addition to this, the team will continue to provide regular updates to stakeholders through the Annual Report, the InTouch newsletter, Employer updates and regular visits as required to Employer organisations.

The AGM is designed for key stakeholders therefore reflecting the design of the PFCG membership and therefore feedback from the group would be welcome.

B. Other options available and their pros and cons

As above

C. Resource Implications

As above

D. Legal Implications

N/A

E. Other implications / issues

PFCG are accountable to the PFC so therefore the PFC do have a monitoring responsibility.

F. Feedback from consultation and Local Member Views

PFCG is established, in part, to be a forum for PFC to obtain feedback and therefore suggestions on future AGM agenda items are welcomed.

G. Communication Issues

PFCG agendas and minutes are available on the pension page of the Bucks CC website.

H. Progress Monitoring

N/a

I. Background Papers

None.