

# Agenda

## *PENSION FUND CONSULTATIVE GROUP*

**Date:** Thursday 15 March 2012  
**Time:** 10.00 am  
**Venue:** Mezzanine Room 3, County Hall, Aylesbury

<b>Agenda Item</b>	<b>Page No</b>
<b>1 APOLOGIES / CHANGES IN MEMBERSHIP</b>	
<b>2 MINUTES</b> of the meeting held on 1 December 2011 to be confirmed	<b>1 - 4</b>
<b>3 UPDATE ON LGPS REFORM</b> Report from the Service Director (Finance & Commercial Services)	<b>5 - 22</b>
<b>4 ADMINISTRATION TEAM PERFORMANCE</b> Report of the Service Director (Finance & Commercial Services)	<b>23 - 28</b>
<b>5 DATE OF NEXT MEETING</b> The next meeting of the Pension Fund Consultative Group will be held on 6 December 2012 at 10.00am in Mezzanine Room	
<b>6 EXCLUSION OF THE PRESS AND PUBLIC</b> To resolve to exclude the press and public as the following item is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)	
<b>7 CONFIDENTIAL MINUTES</b> of the meeting held on 1 December 2011, to be confirmed	<b>29 - 30</b>
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If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

*For further information please contact: Maureen Keyworth on 01296 383603  
Fax No 01296 382538, email: [mkeyworth@buckscc.gov.uk](mailto:mkeyworth@buckscc.gov.uk)*

## **Members**

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

# Minutes

## *PENSION FUND CONSULTATIVE GROUP*

**MINUTES OF THE MEETING OF THE PENSION FUND CONSULTATIVE GROUP HELD ON THURSDAY 1 DECEMBER 2011, IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, 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  
Mrs J Eubank, Employee Representative  
Mr S Mason, Aylesbury Vale District Council Representative  
Ms T Pearce, Chiltern District Council Representative  
Ms L Turvey, Admitted Body Representative - Fremantle Trust  
Mr M Chard, Employee Representative  
Mr G Waghorn, Milton Keynes Council  
Ms J Edwards, BCC Finance Representative  
Mr I Thompson, Thames Valley Police  
Ms F Grigg, Heritage Care

### **OFFICERS PRESENT**

Mr C Thompson, Principal Pensions Officer  
Mrs M Keyworth, Democratic Services Officer  
Mr M Preston, Assistant Head of Finance - Management Accounting  
Ms L Hughes, Principal Pensions Officer (Administration)

### **AGENDA ITEM**

#### **1. APOLOGIES / CHANGES IN MEMBERSHIP**

Apologies were received from Martin Cross and Sue Burgess. Frances Grigg substituted for Sue Burgess.

The Chairman welcomed to the meeting Mark Preston, Assistant Head of Finance, who had replaced Clive Palfreyman.

The Group introduced themselves.



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## 2. MINUTES

The minutes of the meeting held on 7 April 2011 were agreed as a true record.

## 3. LOCAL GOVERNMENT PENSION SCHEME CONSULTATION

Members were informed that the Government was consulting Authorities with regard to proposals for short term savings of £900m, which would equate to an increase of 3.2% in employee contributions. It was noted there would be no increase for those earning under £15,000, after which there would be progressive increases for middle and higher earners. Authorities had been asked to respond by 6 January 2012 and it was anticipated that this would be in place for April 2012.

Many were concerned that the introduction of these proposals would create a mass opt out from Local Government Pension Schemes. It was therefore agreed that the LGA and Unions should put forward alternative proposals for consideration, and these were set out in the report. The options were discussed at Pension Fund Committee and those members agreed to support LGA Option 2, giving a choice to increase contributions or lower the accrual rate. The draft County Council (as administering authority to the Fund) response to the consultation itself was also attached to the report. The Committee's main concern was regarding lower paid staff who may opt out or choose not to join the Scheme if contributions were increased. There was a need to ensure lower paid staff were relieved from the full burden of the changes. The Pension Fund Committee looked at contributions and accrual rate in relation to protecting lower paid staff and giving people a choice about what to pay and agreed that the LGA Option 2 covered these concerns.

The member representing Thames Valley Police said they had responded along the same lines because they were also concerned about the rise in opting out. He asked whether there was any information regarding those who may be better off financially by pulling out of the Scheme and benefitting from Pension Credits and whilst the BCC Finance Representative agreed to look into this, it was noted that there would not be any information regarding what Pension Credits would be when current members reached retirement age.

Members of the Pension Fund Consultative Group agreed that the LGA Option 2 was the right approach for short term measures.

In the ensuing discussion the following was noted:

- The current proposals would only be in place for three years, until the new Scheme came into force in April 2015.
- Concern was expressed about part-time staff, but at least they would be given a choice about whether to increase contributions or take a lower accrual rate;
- An argument had been put forward that employers should have lower contributions and the BCC Finance Representative said the intention had been to give organisations less cash and reduce employers' contributions.
- The timescale was not giving employers much time to implement the changes, given the January deadline for response;
- A member asked why there was the need to make changes for the next three years and why not wait until the proper scheme was introduced in 2015. It was noted that the changes were being made in order to achieve an extra £900m in the short term. The national debt problem had exacerbated the situation and this was additional revenue which was going to the Treasury. It was also the view at the Pensions Managers' Conference that all the changes to the new Scheme should have been brought forward to 2014.

- All schemes will be changed by 2015 and there are plans for an increase in employee contributions of 3.2% for all.
- The LGPS employee contributions are higher than many other schemes. The NHS standard is from 5% to 8.5%, the Civil Service 1.5% to 3.5% and Teachers 6.4% compared to the LGPS which ranges from 5.5% to 7.5%.

#### **4. PENSIONS ADMINISTRATION PERFORMANCE**

Members received the report of the Principal Pensions Officer, which gave details of the work performance statistics for the last 12 months, to October 2011.

The number of tasks being completed outside target times peaked in April and May and this was attributed to the unusually high number of bank holidays in that period. The normal range was between 1% and 2%.

During April to October 2011 the Team calculated 661 redundancy estimates, 30 of which were calculated outside of the required timescale. In the same period, the Team dealt with over 2,600 general queries, 42 of which were dealt with outside of the required time limits. In October 2011, the team dealt with 1,645 queries relating to the pay calculated from pension contributions.

A member asked how much the introduction of the short term measures for pension fund contributions will impact on the work of the team. It was noted that the job would be more intense for the following three years. However, the introduction of the Career Average scheme would make it easier and systems will be in place to support the work. The Principal Pensions Officer stated that the more information they receive from employers regarding changes, the less queries they will need to deal with.

**The Pension Fund Consultative Group NOTED the performance statistics of the team.**

#### **5. CIPFA PENSIONS ADMINISTRATION BENCHMARKING CLUB**

Members received the report of the Principal Pensions Officer. Buckinghamshire County Council takes part in the CIPFA Benchmarking Club and annual data is submitted and compared against 59 other Authorities. The following was noted:

- The total cost per member this year was £16.28 compared to the group average of £22.14. The reduction included savings through the merger of the Pensions Manager and Investment Manager roles. There were also increases in scheme members as well as school employers.
- One area where the Authority was above average in costs was the Pension IT system. Extra money has been spent in this area in order to make future savings in other areas. However, the overall costs are still lower. BCC was looking at introducing Employer self-service to enable employers to upload their own information onto the system and volunteers were being sought to pilot this.
- Sickness absence within the Team was quite high and it was noted that short term sickness is a concern and work is being undertaken in this area. Long term sickness has worsened over the last few years and officers are also managing this. Officers do have meetings with staff on their return to work. A member expressed concern that the underlying issue may be under-staffing.
- Concern was expressed regarding data protection issues in connection with employee contributions. It was noted that the new systems would allow more people to do the work themselves and those providing private pension schemes have been doing this work for some time.

- The level of opt outs from the Scheme is above average. Last year's amnesty was only for transfers between LGPS funds, which limited its use. The Chairman asked whether officers could identify why there had been an above average opt out.

## **6. DATE OF NEXT MEETING**

The next meeting of the Pension Fund Consultative Group will be held on Thursday 15 March 2011 at 10.00am in Mezzanine Room 3, County Hall, Aylesbury.

Dates of future meetings:  
6 December 2012

## **7. 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 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)**

## **8. CONFIDENTIAL MINUTES**

The confidential minutes of the meeting held on 7 April 2011 were agreed as a true record.

## **9. FUND MANAGERS' PERFORMANCE**

Members received the report of the Head of Finance and Commercial Services, giving details of the Fund's performance for the third quarter ending 30 September 2011.

**The Group noted the performance of the Pension Fund's fund managers for the third quarter of 2011, ending 30 September 2011.**

**CHAIRMAN**

# Pension Fund Consultative Group

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<b>Title:</b>	Update on LGPS Reform
<b>Date:</b>	15 March 2012
<b>Author:</b>	Service Director (Finance & Commercial Services)
<b>Contact officer:</b>	Julie Edwards 01296 383910
<b>Electoral divisions affected:</b>	N/A

## Summary

On 9 January 2012, the Local Government Association announced that a proposed way forward for reform of the Local Government Pension Scheme had been agreed. This followed discussions between the Chief Secretary to the Treasury, Danny Alexander, the Secretary of State for Local Government, Eric Pickles, the Chairman of the Local Government Association, Sir Merrick Cockell and representatives of the TUC, GMB and Unison. As a result of the agreement the local government trade unions and the LGA, with the Department for Communities and Local Government, commenced detailed negotiations in the New Year.

## Recommendation

**The Group is asked to COMMENT on the proposals.**

### Resource implications

- 1 There are none arising directly from this report.

### Other implications/issues

- 2 Following Lord Hutton's Independent Public Service Pensions Commission review, the Chancellor announced that employees in the unfunded public service pension schemes such as civil servants and teachers would be required to pay increased contributions averaging 3.2%. This would raise £2.8bn a year by 2014/15 and would be phased in from April 2012.



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- 3 In February 2011 and April 2011 the Local Government Association wrote to the Chancellor to express concern over the impact of the proposed increase in employee contributions to the LGPS of 3.2%. They were concerned that a significant increase in employee contributions at a time of pay restraint and high inflation could increase the number of opt outs and impact on the Scheme's future sustainability and viability.
- 4 On 7 December 2011 the Pension Fund Consultative Group discussed the Department for Communities and Local Government consultation paper issued on October 7 2011; this set out proposals to deliver short term savings in the Local Government Pension Scheme (LGPS) of £900m per annum nationally by 2014/15, equivalent to a 3.2% increase in employee contributions.
- 5 On 9 January 2012, the Local Government Association announced that a proposed way forward for reform of the Local Government Pension Scheme had been agreed. This followed discussions between the Chief Secretary to the Treasury, Danny Alexander, the Secretary of State for Local Government, Eric Pickles, the Chairman of the Local Government Association, Sir Merrick Cockell and representatives of the TUC, GMB and Unison. As a result of the agreement the local government trade unions and the LGA, with the Department for Communities and Local Government, commenced detailed negotiations in the New Year. Unite has subsequently joined the discussions.
- 6 The core parameters of the agreed new scheme design set out in a written ministerial statement, attached as Appendix A, are:
  - A single solution to both the short and long term issues by the early introduction of the new Scheme in April 2014, with regulations in place by April 2013;
  - The single solution to be built on the basis of career average earnings;
  - Can include zero increases in employee contributions for all, or the vast majority of members, provided that overall financial constraints set by the Government are met;
  - Some elements of choice to encourage retention of existing membership and encourage new membership; and
  - Flexible retirement age built around the Scheme's normal retirement age equal to the State Pension Age or age 65, whichever is later, and applies both to active members and deferred members (new scheme service only). If a member's State Pension Age rises, then normal pension age will do so too for all post 2015 service.
- 7 Appendix B is the Employer and Union Agreement on the Future of the LGPS. It sets out the principles for the designing the new Scheme and the timescales, milestones and actions required.
- 8 A significant principle currently under discussion by union officials and LGA is the meeting of both short and long term pensions reform objectives by a single step to a new scheme earlier than the 2015 date – the "single step" solution. This is principle 1 and the timescale for this process is determined solely by



the requirement to have regulations in place by the 31st March 2013. The implication of this date is that if regulations are not in place by that date fund actuaries will not be able to take the effect of scheme changes into account for the 2013 triennial valuation and therefore short term reform objectives will not be able to be met.

- 9 The timescale envisages a four stage approach:
- Stage 1 – agreement on principles and timescales
  - Stage 2 – agreement on “big ticket” items (contributions, accrual rate, revaluation rate, protections, employer cap, cost management mechanism – outline)
  - Stage 3 – agreement on remainder of scheme design and cost mechanism details
  - Stage 4 – agreement on mechanism to provide assurance of effective management of individual funds.
- 10 In order for the process to be achieved successfully the following milestones need to be met:
- By 31 December 2011 – stage 1 principles for scheme design and cost management agreed by unions and employers and accepted by government as a robust direction of travel.
  - By April 2012 – agreement on stage 2: the “big ticket” items for the new scheme. Acceptance by government of cost management mechanism. Achievement of this milestone to be managed as set out in Stage 2 decision management process.
  - By September 2012 – commencement of process required to draft regulations and complete statutory consultation. Recognising that consultation may overlap the process below.
  - By November 2012 – agreement of and consultation on stages 3 and 4, recognising that consultation may overlap the DCLG process above.
  - By 31 March 2013 – new regulations in place
- 11 Appendix C to this report includes answers to some of the questions that have been raised about the agreement.

**Feedback from consultation, Local Area Forums and Local Member views (if relevant)**

12 N/A

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**Background Papers**

Pension Fund Consultative Group 1 December 2011 agenda item 3 – Local Government Pension Scheme Consultation

<http://moderngov/ieListDocuments.aspx?CId=520&MIId=4433&Ver=4>

Independent Public Service Pensions Commission: Interim Report and Final Report

[http://www.hm-treasury.gov.uk/indreview\\_johnhutton\\_pensions.htm](http://www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm)

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**DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT****Local Government Pension Scheme**

**The Secretary of State for Communities and Local Government (Mr Eric Pickles):** On 2 November the Chief Secretary to the Treasury made a Statement to the House setting out an improved offer on public service pensions to public sector workers (Cm 8214). This offer provided a more generous cost ceiling for scheme-specific discussions to work within, and protected all those within ten years of their pension age from any further change. This generous offer was conditional on the Government and trades unions reaching agreement by the end of the year, including the Local Government Pension Scheme in England and Wales, bringing to a conclusion talks that have lasted since February 2011.

Since 2 November, I have been engaged in talks with the local government trades unions and the Local Government Association (LGA) to enable purposeful discussions on local government pensions reform. I can now report to the House on the Heads of Agreement signed jointly by the local government trades unions and the LGA on the principles governing the scheme design, ongoing cost management and governance of the new Scheme to be introduced in 2014. Further work on these agreed principles will commence in the New Year under the supervision of a newly appointed Project Board representing key Scheme partners. The Government have made clear this sets out their final position on the main elements of scheme design, which unions have agreed to. This includes a commitment to suspend any further industrial action while the final details are resolved and Unions are consulting their members.

The core parameters of the agreed new scheme design are set out below:-

- a single solution to both the short and long term issues by the early introduction of the new Scheme in April 2014, with regulations in place by April 2013;
- the single solution to be built on the basis of career average earnings;
- can include zero increases in employee contributions for all, or the vast majority of members, provided that overall financial constraints set by the Government are met;
- some elements of choice to encourage retention of existing membership and encourage new membership; and
- flexible retirement age built around the Scheme's normal retirement age equal to the State Pension Age or age 65, whichever is later, and applies both to active members and deferred members (new scheme service only). If a member's State Pension Age rises, then normal pension age will do so too for all post 2015 service.

A copy of the Heads of Agreement has been placed in the Library of the House.



## **EMPLOYER AND UNION AGREEMENT ON THE FUTURE OF THE LGPS**

At the meeting of the 15<sup>th</sup> November between LGA lead members and officials from the GMB, Unison and Unite it was concluded that discussions should be progressed with the aim of reaching agreement on a set of high level principles for the Local Government Pension Scheme.

In setting this objective all parties accept that any agreement which may be reached would be subject to consultation with and confirmation by their respective memberships.

The following document is the result of the above discussions and forms the Heads of Agreement between the LGA and UNISON, GMB and UNITE (on behalf of the LGPS unions)

### **THE PRINCIPLES**

In scoping the principles it was recognised that the initial design of the new scheme is but one of a two part process. The second (and potentially most important part) being the setting of the employer contribution cap and the associated cost management and governance mechanisms required to ensure that the scheme can in future manage its own affairs without the need for secondary legislation .

Furthermore all parties accepted that both parts of the process must be progressed simultaneously in order to avoid the potential for misunderstanding and delay which may otherwise result.

In respect of the timetable for progress there was mutual recognition that the real driver should be the requirement to have regulations in place by April 2013. The government's desire for progress on a scheme outline by the end of 2011 was recognised as a valid aspiration within that overall timetable. In this respect this document should be read in conjunction with the timetable which follows entitled;

### **LGPS 'SINGLE STEP' SOLUTION: TIMESCALE, MILESTONES AND ACTIONS REQUIRED**

The principles set out below are based on the broad parameters set out in the meeting of the 15<sup>th</sup>.

### **NEW SCHEME DESIGN PRINCIPLES**

Principle 1. A single solution to both short and long term issues by the early introduction of the new scheme (regulations by April 2013 and implementation from April 2014) negating the need for scheme changes prior to April 2014.

Principle 2. That the single solution be designed around options that will be worked on the basis of career average and can include zero increases in employee contributions for all or the vast majority of members provided

overall financial constraints are met (recognising that such constraints may change subject to further negotiations with Treasury on meeting the costs of protections – principle 7 - and that there will be no triple counting of recycled savings).

Principle 3. That the new scheme incorporates some elements of choice designed to encourage both retention of existing membership and encourage new membership.

Principle 4. That scheme costs are based on actual experience and the base numbers are provided by Government Actuary's Department (GAD) from the model fund data, can be independently verified and are supported by the Association of Consulting Actuaries (ACA).

Principle 5. In order to encourage flexible retirement, the age at which benefits may be taken (the pension age) is to be any time between 55 and 75. Benefits are to be adjusted up or down relative to the proximity of the pension age to the Normal Pension Age (NPA) which is to be linked to State Pension Age (SPA) or age 65 whichever is later.

Principle 6. That access to the scheme be provided for a broad range of employees who deliver public services through the continuation of current Admitted Body Status (ABS) arrangements

Principle 7. That the method of meeting the cost of protections (final salary and retirement age in the old scheme and the 10 year protection of pension and age into the new scheme), their value relative to other public sector schemes and their scope for recycling need to be confirmed by Treasury.

Principle 8. That scheme cost efficiencies be realised through more effective procurement and provision of both administration and investment services

Principle 9. That the LGPS maintain its relative value in terms of benefits in relation to other public sector schemes

Principle 10. That the scheme design be subject to robust and independent equality impact assessment to ensure it meets all legislative equality requirements in both effect and intent

## **MANAGEMENT AND GOVERNANCE MECHANISM PRINCIPLES**

Principle 11. That the value of the ongoing scheme and the employer contribution cap within that value be set by agreement between the principal stakeholders of the scheme.

Principle 12. That the employer contribution cap contains both ceiling and floor values (cap and collar)

Principle 13. To ensure the long term sustainability of the scheme the mechanisms of management and governance necessary to maintain employer contributions within the cap and collar be set by scheme regulation, be under the control of the principal stakeholders of the scheme and use model fund data.

Principle 14: The mechanisms shall include tools to vary liabilities and revenue (e.g. changes to the benefit structure and / or employee contribution rates). The mechanisms shall also include a default position should agreement not be reached within a preset timescale. However such a default position should not contain a predisposed and disproportionate disbenefit to either employees or employers

Principle 15. That a clear and effective mechanism be put in place to translate the effects of cap and collar to individual employers in the LGPS. In particular the circumstances which will allow for individual employer rates to be set outside of the cap and collar.

Principle 16. That within the cap and collar individual funding levels are to be monitored and constrained within an acceptable range.

Principle 17. That the cap and collar mechanism be an intrinsic part of the agreement on the new scheme not a separate process.

## **LGPS 'SINGLE STEP' SOLUTION: TIMESCALE, MILESTONES AND ACTIONS REQUIRED**

A significant principle currently under discussion by union officials and LGA is the meeting of both short and long term pensions reform objectives by a single step to a new scheme earlier than the 2015 date proposed in the reference scheme.

The principle under discussion is:

**Principle 1. A single solution to both short and long term issues by the early introduction of the new scheme (regulations by April 2013 and implementation from April 2014).**

This document sets out the timescale, milestones and actions which would be required in order to put this principle into effect.

### **OBJECTIVE**

The timescale for this process is determined solely by the requirement to have regulations in place by the 30<sup>th</sup> March 2013. Without regulations being in place by that date fund actuaries will not be able to take the effect of scheme changes into account for the 2013 valuation and therefore short term reform objectives will not be able to be met.

Having regulations in place by March 2013 also provides sufficient time for the necessary changes to systems, process and most importantly member communications to be made.

Recognising the constraints we face the timescale envisages a four stage approach. The approach has the objective of achieving all four stages but also that stages 1 to 3 are absolutes whilst stage 4 could be delayed.

Stage 1 – agreement on principles and timescales

Stage 2 – agreement on ‘big ticket items (contributions, accrual rate, revaluation rate, protections, employer cap, cost management mechanism - outline),

Stage 3 – agreement on remainder of scheme design and cost mechanism details

Stage 4 – agreement on mechanism to provide assurance of effective management of individual funds

## **TIMETABLE**

- Nov/December 2011 – discussions on stage 1, consultation and sign off process for unions and employers, submission to ministers for approval
- Jan to April 2012 – discussions on stage 2, consultation by unions and employers on proposals resulting from discussions, costing of stage 2 scheme by GAD
- April to September 2012 – joint communication programme for scheme members, redesign of systems and procedures, setting up of cost management mechanism, commence drafting of regulations
- April to November 2012 – discussions on stages 3 and: 4, consultation by unions and employers on proposals resulting from discussions, costing of stage 3 scheme by GAD
- September 2012 to March 2013 –,consultation on and making and laying new scheme regulations to reflect the outcome of the above process
- March 2013 - commencement of scheme valuation
- October 2013 –initial valuation results
- October 2013 to March 2014 – pre implementation communications for members and employers, parallel run of systems and procedures, test run of cost management mechanism against model scheme
- April 2014 – New scheme in place, new employer contributions from 2013 valuation in effect



## MILESTONES

In order for the process to be achieved successfully the following milestones will need to be met;

- By 31<sup>st</sup> December 2011 –stage 1 principles for scheme design and cost management agreed by unions and employers and accepted by government as a robust direction of travel
- By April 2012 – agreement on stage 2: the ‘big ticket’ items for the new scheme. Acceptance by government of cost management mechanism. Achievement of this milestone to be managed as set out in the section which follows entitled **Stage 2 decision management process**.
- By September 2012 – commencement of process required to draft regulations and complete statutory consultation. Recognising that consultation may overlap the process below
- By November 2012 – agreement of and consultation on stages 3:and 4. Recognising that consultation may overlap the DCLG process above
- By 30<sup>th</sup> March 2013 – new regulations in place

## ACTIONS

In order to achieve the above timescale and milestones the following actions will be required some of which will be the responsibility of others to ensure the timetable is adhered to.

- Formal sign off/acceptance processes to be completed by both employers and unions within timescales shown (e.g. employers side will require approval by Executive at stage 2)
- An independent equality impact assessment to be carried out at stages 2 and 3 to ensure that the proposals are fair and meet all legislative equality requirements in intention and effect.
- Response by government to the principles and proposals at stages 1 and 2
- Necessary calculations to be commissioned by DCLG and produced by GAD and/or ACA for the proposed scheme at stages 2 and 3 within the timescale shown

## STAGE 2 DECISION MANAGEMENT PROCESS

It is imperative that assurance is provided to all stakeholders of the commitment to achieve the objectives of stage 2 within the timescale. The

agreement of the 'big ticket' items is vital to the success of the overall project and will therefore require robust management of the time and resources available. It is therefore intended to use the principles of PRINCE2 project management to ensure an effective outcome.

The process will therefore include

1. LGA to provide secretariat and project management support for the process to include the provision of a project plan, setting and hosting meetings, taking minutes, maintaining an actions log, a risk log and the provision of regular reporting.
2. The project plan to include objective dates for agreement in principle on the following scheme elements:
  - Confirmation of the basis of the scheme design (e.g. CARE)
  - The accrual rate for the scheme
  - The revaluation rate
  - The actuarial methodology for variation to benefits either side of the NPA
  - The value, distribution and phasing of any employee contribution increases
  - Transitional protections
  - The parameters of the employer cap and collar
  - The mechanism for variation of the elements to maintain scheme costs within the cap and collar values
  - Recommendations on best practice in governance and procurement

together with sufficient time for the necessary consultation and formal agreement process for both unions and the LGA. This project plan to be available in draft form to the first meeting of the project team.

3. The creation of project team to work up costed options for the above elements, consider the implications of each on the overall cost balance and equality impact of the new scheme and make recommendations to the project board. This team to meet weekly and consist of officials from lead unions(to include pensions officers) , LGA and DCLG.
4. The creation of a project board to include union leads, lead members from LGA and senior DCLG officials to meet fortnightly and have the ability to ratify in principle the recommendations of the working group. This group would also have responsibility for ensuring the elements of the project plan are adhered to including the identification of blockages and the action required to rectify any slippage.
5. Support from GAD, ACA and Treasury officials to provide accurate and agreed costings of the options and agreed recommendations

6. Fortnightly reporting to DCLG and Treasury ministers and LGA executive on progress against the plan, blockages and risks identified and any remedial action being taken.
7. The project team to meet first on the 3<sup>rd</sup> January and then on each Monday. The project board to meet first on the 11<sup>th</sup> January and then every second Wednesday. Reports to be available to DCLG and Treasury ministers firstly on the 13<sup>th</sup> January and then on every second Friday.

Final version 1.9

LGA Head of pensions  
15<sup>th</sup> December 2011



## LGPS Heads of Agreement Q&A

On 22<sup>nd</sup> of December an agreement reached by the Local Government Association (LGA) and local government unions on how to take forward the future reform of the Local Government Pension Scheme (LGPS) in England and Wales was accepted by the Government. The agreement consists of:

- A set of principles covering:
  - the design of a new LGPS
  - the future management of the cost of the scheme, and
  - governance of the LGPS
- A timetable for implementing the new scheme by April 2014
- A project outline for managing the process of agreeing, by April 2012, the 'big ticket' elements of the new scheme.

The agreement together with an accompanying ministerial statement can be found at <http://www.lge.gov.uk/lge/core/page.do?pageId=15185675>

All parties involved in these continuing discussions are committed to ensuring that whatever the outcome the LGPS will still be one of the best pension schemes available.

Here we attempt to answer some of the questions about the agreement that have been raised.

### **Q. Will there still be contribution increases for scheme members in 2012?**

A. Hopefully not. Although the Government's consultation on proposals to increase employee contributions closed on 6<sup>th</sup> January, the Government have agreed to hold back on taking any action whilst the talks between the LGA and the unions are continuing. However should the talks break down without further agreement then increases may well be implemented, possibly before the end of 2012-13.

### **Q. When will the new scheme come into effect?**

A. The proposal is that the new scheme will be implemented from April 2014 but that the regulations governing the scheme will be in place by March 2013.

### **Q. Why 2013 for regulations?**

A. Having regulations in place by 2013 will enable the pension fund actuaries to take the new scheme into account as part of the 2013 scheme valuation. This will enable adjustments to be made to employer contributions in 2014.

### **Q. Will scheme member contributions in the new scheme be more than now?**

A. Possibly, although various options will be explored to keep any contribution increases to a minimum.

### **Q. What will the benefits be in the new scheme?**

A. These will be determined by discussions taking place between now and April. There will be regular updates on the progress of these discussions and consultation with all stakeholders. Remember however that pension benefits built up in the current scheme will continue to be calculated as 1/60<sup>th</sup> of final pensionable pay at retirement for each year of service..

**Q. What are the ‘big ticket’ items to be agreed by April 2012?**

A. These are as follows:

- Confirmation of the basis of the scheme design (e.g. CARE, being a scheme where benefits are based on career average revalued earnings, rather than final pensionable pay)
- The accrual rate for the scheme (being the rate at which the pension is built up for each year of service in the scheme e.g. 1/60<sup>th</sup> of pay for each year)
- The revaluation rate (being the rate by which, during employment, each year’s worth of pension is subsequently increased after it has been built up)
- The actuarial methodology for reducing or increasing benefits if they are drawn before or after Normal Pension Age
- The amount and timing of any employee contribution increases
- Any transitional protections for older scheme members
- The parameters for the maximum and minimum employer contribution to the new scheme (sometimes referred to as the employer “cap and collar”)
- The mechanism for varying elements of the scheme design in the future to ensure costs are maintained within the cap and collar values
- Recommendations on best practice in scheme governance and procurement of services by pension funds.

**Q. When will members be able to retire?**

A. The proposal is for benefits to be able to be taken at any age from 55 to 75 with the value of those benefits to be adjusted up or down dependant on how far either side of the Normal Pension Age they are taken.

**Q. What will Normal Pension Age be?**

A. For the new scheme this is proposed to be the later of age 65 or State Pension Age but remember that all benefits built up in the current scheme will retain the current Normal Pension Age (which, for nearly all scheme members, is age 65).

**Q. Will any benefits be protected?**

A. All benefits built up to the date of implementation of the new scheme will be protected in full including the age at which they can be taken and the method of calculation. The Government has proposed extending protection to members who will be within 10 years of age 65 by April 2012.

**Q. What is the employer ‘cap and collar’?**

A. The discussions will come to an agreement on an acceptable maximum and minimum range for future employer contributions. This will apply only to

the benefits being built up in the new scheme and will be measured at a national level using data from the notional model fund (which includes data from all the LGPS funds in England and Wales). Individual employer contributions will continue to also contain elements for past service funding deficits and local factors which may result in an individual employer's total contribution rate falling outside of the range.

**Q. How will the cost of the scheme be managed within the cap and collar?**

A. A mechanism will be agreed by which elements of the scheme design can be varied in the future to ensure costs are maintained within the cap and collar values. It is proposed that the mechanism be within the scheme and under the control of its stakeholders to ensure that the process we are currently going through should not have to be repeated.

**Q. What kind of recommendations on best practice are envisaged?**

A. These are proposed to cover both the potential effect of the cap and collar at individual pension fund level as well as encouraging a greater degree of member involvement, joint working and effective procurement of services by pension funds.

**Q. What are the next steps?**

A. A project team consisting of unions, the LGA and the Department for Communities and Local Government (DCLG) will meet weekly to work up costed options and make recommendations to a project board (again with representatives from the same bodies) which will meet fortnightly. The aim is to reach an agreement which each party to the process can put to their respective memberships in good time for final proposals to be accepted by the Government in April so that drafting of new scheme regulations can commence.

The next stages of the process would then commence to agree the finer points of the new scheme design in time for a statutory consultation process to commence in the early autumn.

V1.1 6<sup>th</sup> January 2012







## Report to Pension Fund Consultative Group

**Title:** Pensions Administration Performance

**Date:** 15<sup>th</sup> March 2012

**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 Administration 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 January 2012 are presented below. The Pension Fund Consultative Group are required to monitor the performance of the Pensions Administration Team.

### Recommendation

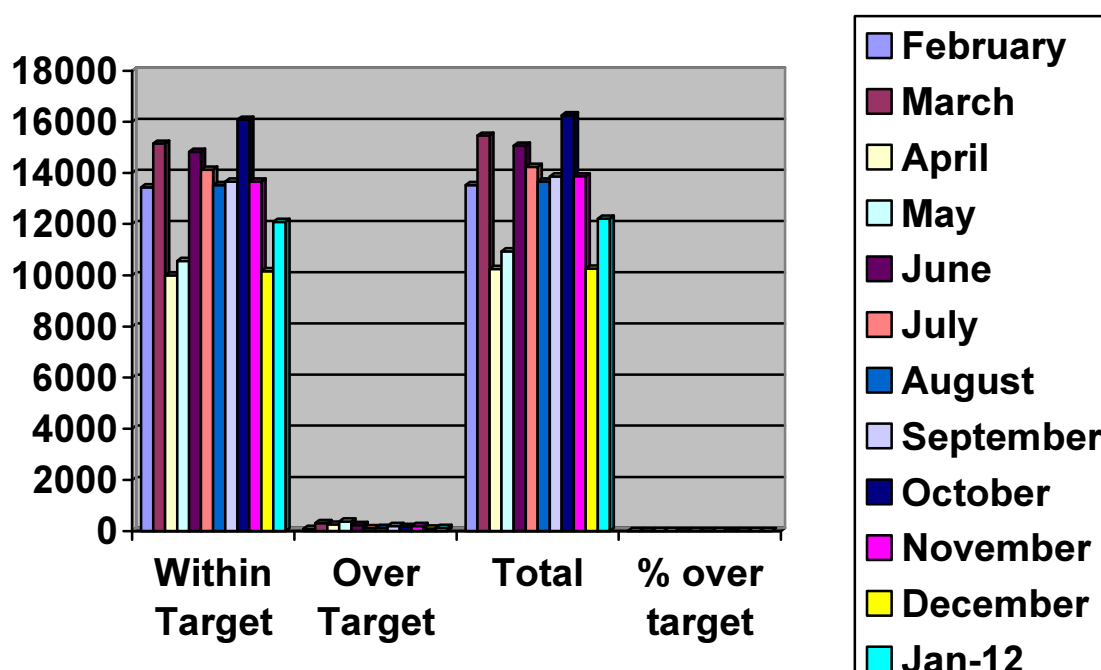
**Members are asked to:**

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

**A. Supporting information:**

Workload statistics for the year to January 2012 are presented below:

	Within Target	Over Target	Total	% over target
February	13437	88	13525	0.65%
March	15148	313	15461	2.02%
April	9995	259	10254	2.53%
May	10567	380	10947	3.47%
June	14830	240	15070	1.59%
July	14125	111	14236	0.78%
August	13528	130	13658	0.95%
September	13661	200	13861	1.44%
October	16086	171	16257	1.05%
November	13664	204	13868	1.47%
December	10163	107	10270	1.04%
January 2012	12081	130	12211	1.06%



Since the last report to PFCG, the number of tasks being completed over target has consistently remained below 1.5% .

To give an indication of the volumes of work, in November 2011 36 new deaths were notified to the Pensions Section. It is the teams aim to issue, on the same day as notification of death is received, a letter to the next of kin or persons dealing with the estate of the deceased a letter confirming our information requirements. In November 2011 this target was achieved. In November the pensions section also calculated 149 estimates of benefits. Of these 64 were requests for pension benefits on the grounds of redundancy. Of these two were calculated outside of the target time, one because further information was required to calculate the benefits and the other due to the volume of work being received by the Pensions Team.

In addition to the above statistics which detail the number of individual tasks within a procedure completed, the attached statistics have been prepared to show the number of whole procedures being completed by the section. These statistics again are produced to indicate the volumes of work being produced by the Pensions Team. These statistics confirm that in the 10 months to January 2012, 4632 items of general correspondence/queries were completed. In the same period the Employer Liaison Team dealt with and completed over 5,500 year end queries arising from the annual pension return process.

Finally we would like to draw to the attention of the consultative group, an employer training day which is scheduled for 30 April. At this training day subjects being covered will be the new look LGPS, annual allowance changes and auto enrolment (presentation being given by Barnett Waddingham). Cheryl Platts will be confirming the details in the March employer newsletter and we would encourage all authorities to send at least one member of staff to this training day.

**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



Benchmarking Statistics

Monthly Statistics (1 April 2011 - 31 January 2012)

Work Item	Type	Total	Month	April	May	June	July	August	September	October	November	December	January	Combined 2011/2 Total	
			Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total		
New Entrants	Set-ups - Data Interfaced			201	162	159	94	216	543	206	155	60	93	1889	
	Set-ups - Manual			98	132	242	111	122	163	135	340	203	203	1749	
		0	Monthly Total	299	294	401	205	338	706	341	495	263	296	3638	
Leavers	Entitlement - Refund			4	2	2	2	3	3	0	4	18	17	55	
	Entitlement - Deferred			166	137	137	355	245	171	218	302	219	213	2163	
	Refund Paid			2	1	4	15	4	3	3	1	3	5	41	
	Amalgamation			21	11	46	65	46	55	33	42	48	59	426	
		0	Monthly Total	193	151	189	437	298	232	254	349	288	294	2685	
Retirements	Retirement Benefits Offer			95	124	142	120	172	103	108	88	109	110	1171	
	Actual/Payment Ill Health			1	2	1	2	4	4	2	0	2	4	22	
	Actual/Payment Early Retirement (age 60-65)			10	16	19	14	16	15	12	16	10	11	139	
	Actual/Payment Normal Retirement (age 65)			42	40	53	41	51	51	33	56	59	38	464	
	Actual/Payment Late Retirement (age 65+)			1	5	3	6	11	17	5	5	0	7	60	
	Actual/Payment Employer Consent			2	2	2	1	1	2	1	1	3	2	17	
	Actual/Payment Redundancy			27	30	41	35	16	45	21	13	12	14	254	
	Actual/Payment Efficiency			4	3	2	2	0	2	1	1	2	cv 78	17	
	Recalculation of Retirement Benefits			0	0	1	0	2	0	1	0	1	2	7	
			0	Monthly Total	182	222	264	221	273	238	185	180	198	188	2151
	Estimates	n/a			112	211	217	155	138	295	188	149	85	159	1709
		0	Monthly Total	112	211	217	155	138	295	188	149	85	159	1709	
Additional Contributions	ARC Quotations (* see notes)													0	
	ARC Actuals			3	0	0	1	1	2	0	1	0	3	11	
	Election to Pay AVCs			19	18	15	11	13	11	20	12	8	9	136	
		0	Monthly Total	22	18	15	12	14	13	20	13	8	12	147	
Transfers In	LGPS Pension Fund			7	23	23	15	17	10	22	10	9	8	144	
	Estimate - Non LGPS Pension Fund			11	7	14	15	17	9	17	17	7	8	122	
	Actual - Non LGPS Pension Fund			14	7	23	16	12	9	12	14	11	11	129	
		0	Monthly Total	32	37	60	46	46	28	51	41	27	27	395	
Transfers Out	Estimate - LGPS Pension Fund			19	27	12	10	23	15	15	15	22	12	170	
	Actual - LGPS Pension Fund			12	13	12	11	8	11	17	7	5	2	98	
	Estimate - Non LGPS Pension Fund			17	4	14	22	17	9	18	2	4	13	120	
	Actual - Non LGPS Pension Fund			10	5	18	11	1	14	1	20	9	6	95	
		0	Monthly Total	58	49	56	54	49	49	51	44	40	33	483	
Divorces	Estimates			7	15	11	9	12	18	9	8	6	10	105	
	Pension Sharing Order Issued			1	0	3	1	2	0	2	1	0	0	10	
		0	Monthly Total	8	15	14	10	14	18	11	9	6	10	115	
Deaths	Active Member			0	0	3	1	2	1	0	1	1	1	10	
	Deferred Member			2	0	2	0	0	2	1	2	4	1	14	
	Pensioner			23	44	30	33	27	32	27	35	28	40	319	
		0	Monthly Total	25	44	35	34	29	35	28	38	33	42	343	
Changes	Hours			329	192	234	250	124	214	206	316	372	406	2643	
	Personal Details			186	223	275	198	249	217	233	223	212	215	2231	
		0	Monthly Total	515	415	509	448	373	431	439	539	584	621	4874	
General Correspondence	n/a			502	500	532	465	416	448	522	475	348	424	4632	
		0	Monthly Total	502	500	532	465	416	448	522	475	348	424	4632	
Payroll	Change in Bank Details			23	42	26	25	54	32	35	40	43	27	347	
	Child's Pension due to Cease (*see notes)													0	
	GMP entitlement notification			61	70	99	68	83	101	90	79	81	109	841	
	Modification			10	4	9	8	2	6	5	7	9	9	69	
	PI at 55			2	1	5	3	3	1	3	4	6	3	31	
	Reverse Pay Figures			7	5	11	12	9	12	15	8	20	11	110	
	Short-term to Long-term (Widow/ers)			6	12	13	7	7	10	6	12	16	15	104	
			0	Monthly Total	109	134	163	123	158	162	154	150	175	174	1502
Year End	n/a			136	263	734	293	583	747	1728	466	209	403	5562	
		0	Monthly Total	136	263	734	293	583	747	1728	466	209	403	5562	



**Agenda Item 7**

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted





**Agenda Item 8**

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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