

# Minutes

## *PENSION FUND CONSULTATIVE GROUP*

**MINUTES OF THE MEETING OF THE PENSION FUND CONSULTATIVE GROUP HELD ON WEDNESDAY 9 OCTOBER 2013, IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 10.00 AM AND CONCLUDING AT 11.15 AM.**

### **MEMBERS PRESENT**

Mr S Cox, Pensioner Representative  
Mr R Bowman, Employee Representative  
Mr S Mason, Aylesbury Vale District Council Representative  
Ms T Pearce, Chiltern District Council Representative  
Mr R Walter, Unison  
Ms J Edwards, BCC Finance Representative  
Mr P Spencer, Wycombe District Council  
Mr C Oliver, Milton Keynes Council  
Ms I Ellison, People and Policy Representative

### **OFFICERS PRESENT**

Mr C Thompson, Principal Pensions Officer (Systems and TPP)  
Mr M Preston, Assistant Service Director (Finance Centre of Expertise)  
Mrs E Wheaton, Democratic Services Officer  
Mrs C Lewis-Smith, Principal Pensions Officer  
Ms S Price, Principal Pensions Officer

### **AGENDA ITEM**

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

Apologies were received from Peter Hardy (Chairman, Buckinghamshire County Council) and Liz Turvey (Fremantle Trust).

The meeting was chaired by Mark Preston, Assistant Service Director (Finance Centre of Expertise).

Isabel Ellison attended in place of Chris Daltry, People and Policy representative.

#### **2. MINUTES**



INVESTOR IN PEOPLE



The minutes of the meeting held on Thursday 7 March 2013 were agreed as a correct record.

### **3. LOCAL GOVERNMENT PENSION SCHEME 2014**

The Pensions Officer referred Members to the report in the agenda pack and made the following main points.

- The Local Government Pension Scheme Regulations 2013 were made on 12 September 2013 and laid before Parliament on 19 September 2013.
- The Regulations come into force on 1 April 2014.
- There are significant changes to communicate to the various LGPS stakeholders.
- Employers need to ensure their payroll systems/payroll provider's systems can adequately meet the data requirements for the Scheme.
- The main feature of the LGPS 2014 is the change from a final salary pension scheme to a Career Average Revalued Earnings (CARE) scheme. Benefits from 1 April 2014 onwards will no longer be based on membership and final pay. Scheme members will accrue 1/49<sup>th</sup> of their pensionable pay per year.
- There is a requirement for each administering authority to establish a pensions board at local level. The pension board will be responsible for assisting the administering authority in relation to securing compliance with the Regulations, other legislation relating to the governance/administration of the Scheme and requirements imposed by the Pensions Regulator in relation to the Scheme.
- Contributions are based on actual pay rather than full time equivalent pay – this will result in some part-time staff being placed into a lower band than in the 2008 Scheme.
- There will be changes to the contribution bands – the 5.9%, 7.2% and 7.5% bands have been removed and additional bands of 8.5%, 9.9%, 10.5%, 11.4% and 12.5% have been introduced. The average employee contribution will be 6.5% which is the same for the 2008 Scheme. All schemes have been notified of the changes to these bands in a newsletter which was sent out in June.
- There is a 50-50 option where members will be able to pay half their normal contribution rate and build up half of the pension for that period. The 50-50 election remains in force until the member opts back into the main scheme or until they are brought back into the Scheme under auto-enrolment provisions. This is going to be real challenge for the administrative team.
- One of the major changes relates to the change in retirement age – the Scheme retirement age is linked to a member's State Pension Age (SPA). SPA is due to rise to 67 between 2034 and 2036 but the Government announced plans to speed this up to between 2026 and 2028.
- There has been a reduction in the earliest age benefits can be paid – the new age is 55 and there will be actuarial reductions applied to benefits. The GAD guidance has yet to be received on this issue.
- The main source of detailed information for the 2014 Scheme for employees and employers within the Buckinghamshire Fund will be on the webpages.
- Those employees who have received annual benefit statements for 2013 will have a received a newsletter detailing the 2014 proposals.
- Training for all employers on the new Scheme has been arranged for 13 December 2013 at County Hall.
- Regional roadshows for employees will take place from 16 October 2013 to 18 February 2014.
- Training for members of the Pensions & Investments team has been arranged for 17 January 2014.

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

The Pensions Officer took Members through his report and made the following main points.

- In August 2013, 42 new deaths were reported to the Pensions Section which is a relatively high number compared to previous Augusts. The team was also notified of 65 new retirements and calculated 350 preserved benefit early leavers.
- Additional resource has now been brought in to tackle particular areas such as leavers and to assist with pensioner payroll. This has resulted in the outstanding daily tasks reducing to below 1,000 and the trend is downwards.
- The Pensions Team will be implementing Employer and Member Self Service. This project has now been resourced and a project plan has been drawn up. The team will be undertaking site visits to learn from the experiences of other authorities and will then contact those who have expressed an interest in being part of the test sites.
- The Pensions General meeting will be taking place on 28 November with an additional employer training day on 13 December.

Tina Pearce, Chiltern District Council representative, wished to record her thanks to the Pensions team for all the work they have done for her.

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

The Pensions Officer referred Members to her report and the results of the Pensions Administration Benchmarking Club 2013 of which 52 authorities took part. She made the following main points during her presentation.

- The County Council has participated in the CIPFA Pensions Benchmarking Club for 11 years. Data is supplied on cost, workload and staff related measures and Industry Standard Performance Indicators.
- The administration cost per scheme member in the Buckinghamshire Pension Fund is £19.70 compared to the group's average which was £21.42. Last year, the introduction of a new pension administration software had an impact on the cost per member (they were slightly higher than previous years).
- There have not been many changes in terms of the composition of members and there are just over 56,000 members in the Scheme.
- The team handled 956 redundancies last year.
- There has been long-term sickness with a few members of staff which has resulted in a high sickness rate in comparison to the group average.

During discussion, the following questions were asked.

- What were the costs associated with the new pension software? The officer said that the software cost between £200-300k and there will be on-going costs of around £72-73k per year.
- A Member commented that the size of the team is relatively small compared to the workload figures. The officer responded by saying there are 8 pensions officers and temporary staff in the team but the benefits of the additional resource will not be seen until the end of March time.
- Does the pensions team predict an increase in the number of employees opting-out under the new Scheme? The Chairman explained that as a result of the 50-50 option, there could be more opt-outs.

- A Member pointed out that the final salary scheme is a very attractive scheme to be in whereas the Career Average Scheme is not so attractive although still better than some schemes. The pensions officer added that an employee's pension will be revalued in line with the Consumer Prices Index (CPI) which is above inflation therefore the accrual rate will make it more attractive. Also, part-time staff will be paying less which might make it a more attractive Scheme for them.
- A Member made a number of comments about the results, including the warning signs around staff sickness which creates problems with a backlog of work. The staffing costs appear to be quite low and if the IT costs are removed then the cost per member would be much lower. The Chairman responded by saying that the team is always looking at the data and identifying where the pressure points are. The nature of the work being undertaken by the administration team is currently changing dramatically as a result of the introduction of the new Scheme. Team workloads will be monitored closely to ensure the resourcing levels are correct.

## **6. 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)**

## **7. CONFIDENTIAL MINUTES**

The confidential minutes of the meeting held on Thursday 7 March 2013 were agreed as a correct record.

## **8. FUND MANAGERS' PERFORMANCE**

The Pensions & Investments Manager took Members through her report.

## **9. COLLABORATIVE WORKING**

The Chairman referred Members to the report on collaborative working which was included the agenda pack.

## **10. DATE OF NEXT MEETING**

The next meeting is due to take place on Wednesday 19 March 2014.

**CHAIRMAN**