



Haringey Council

Agenda item:

[No.]

Pensions Committee

On 4<sup>th</sup> December 2007

**Report Title:** Fund Administration Update

**Forward Plan reference number (if applicable):** Not Applicable

**Report of:** Assistant Chief Executive People and Organisational Development

**Wards(s) affected:** All

**Report for:** Information

**1. Purpose (That is, the decision required)**

1.1 To consider regulatory changes affecting the administration of the Local Government Pension Scheme together with relevant issues covered in circulars issued by the Local Government Pensions Committee (LGPC) and Communities and Local Government (CLG).

**2. Recommendation**

2.1 That the administration update be noted.

**Report Authorised by:** Stuart Young – Assistant Chief Executive People and Organisational Development

A handwritten signature in black ink that reads "Stuart Young".

**Contact Officer:** Ian Benson, Pensions Manager (tel no: 020 8489 3824)

**3. Chief Financial Officer comments**

3.1 The Chief Financial Officer has been consulted and concurs with the financial implications paragraph.

#### **4. Head of Legal Services Comments**

There are no specific legal implications arising from this report. The statutory basis for the issues considered is set out in full in the body of the report

#### **5. Local Government (Access to Information) Act 1985**

**The following background papers were used in the preparation of this report:**

##### **5.1 No papers that require to be listed were used in the preparation of this report**

#### **6. Strategic Implications**

6.1 There are no strategic implications arising from this report

#### **7. Financial Implications**

Costs relating to administration and the upgrade to the AXISe on-line pensions system will be contained within the relevant budget heads.

The increased cost of the new look pension scheme will be reflected in the employer contribution rate to be determined by the council's actuary as part of the fund valuation exercise currently in progress. . A separate report from the Chief Financial Officer will advise members on this issue.

#### **8. Legal Implications**

8.1 See paragraph 4.

#### **9. Equalities Implications**

9.1 There are no equalities issues arising from the current 85 Year Rule protections.

#### **10. Consultation**

10.1 The Employees Side have been consulted on the content of this report

#### **11. The New Look Scheme (update)**

11.1 The start date for the New Look Scheme is 1<sup>st</sup> April 2008. Although government have published the framework regulations for the new scheme authorities are waiting for the final version of the regulations and for the Government Actuary's Department to issue updated actuarial tables and advice

The continued delays in providing this information has implications in a number of areas:-

##### **Ill-Health retirements**

There is no concrete information at the time of writing this report on the final provisions for ill-health retirements. It is understood that the Trade Unions, the Employers and Government are negotiating the final format of the regulations and that a consultation paper is expected shortly.

As matters stand, authorities are not in a position to provide estimated ill-health figures for members likely to be retired after 31<sup>st</sup> March 2008.

### **Government Actuary Department's (GAD) advice.**

The GAD has not updated its actuarial tables or advice over a range of benefits within the scheme. In consequence authorities will be unable to calculate Transfer Payments, Flexible/Early Retirement estimates and Added Membership Purchase costs for events after 1<sup>st</sup> April 2008. Although we expect to have this information before the new scheme starts it is already too late for our Pensions Administration System (Axise) to be fully updated in time for the New Scheme.

### **Heywoods Axise Pensions Administration System.**

Heywoods are the software provider for the Council's on-line pension administration system. This system is used by over 90% of administering authorities in the UK. They have undertaken to provide an initial update based on confirmed changes as at 31<sup>st</sup> October 2007. The new release will not include updated GAD advice or changes agreed after that date.

The release will be made available between January 2008 and 31<sup>st</sup> March 2008. Again the time scales are very short.

There will be a follow-up release in July/August to include final changes

### **Local Government Pensions Committee (LGPC)**

The LGPC has been working on updates to scheme guides and documentation as well as template publicity material for authorities to use. The delay in finalising the new scheme rules has in turn delayed the publication of these documents. The time scale for assimilating the scheme changes and putting processes and revised documentation in place is recognised by the LGPC and other stakeholders as challenging.

### **.Haringey Pensions Team / HR Support**

From 1<sup>st</sup> April 2008 the SAP payroll system will need to be updated to allow for different rates of employee contribution based on Salary Bands.

The Council's HR Support Team are piloting these changes for SAP users nationally.

A Poster campaign is planned to prepare members for the change in contribution rates and the feasibility of having a pensions page located on the Haringey website is being investigated. This will enable on-line up-to-date information about the new scheme to reach the widest possible audience.

### **Policy Decisions:**

The triennial review of the Council's Discretionary Pensions Policy Statement is due in March 2008. This will include decisions on new discretions affecting the scheme from 1<sup>st</sup> April 2008 as well as a review of existing discretions.

## 12 Early Retirements and Appeals for quarter to 30<sup>th</sup> September 2007

Haringey Council		Early Retirements 1 April 2007 to 30 <sup>th</sup> September 2007		
Approved by CFO	Cases	Basic Capital Cost	Cost of Added Years	Total Cost
	<i>Redundancy:</i>			
	1	£2,000	£0	£2,000
	Efficiency			
	3	£123,000	£0	£123,000
	The 85 year rule			
	0	£ 0	£0	£ 0
	Flexible Retirement			
	4	£48,000		£48,000
	<b>Sub-Total</b>			
	<b>8</b>	<b>£173,000</b>	<b>£0</b>	<b>£173,000</b>
Approved by Members	Cases	Basic Capital Cost	Cost of Added Years	Total Cost
	Efficiency			
	0	£0	£0	£0
	Redundancy			
	1	£21,000	£0	£21,000
	85 Year Rule			
	0			
	<b>Sub Total</b>			
	<b>1</b>	<b>£21,000</b>	<b>£0</b>	<b>£21,000</b>
Employing Bodies				
	Cases	Basic Capital Cost	Cost of Added Years	Total Cost
	Redundancy			
	7	£105,000	£0	£105,000
	Efficiency			
	0	£0	£0	£0
	<i>The 85 Year Rule</i>			
	0	£0	£0	£0
	Flexible Retirement			
	0	£0	£0	£0
	<b>Sub-Total</b>			
	<b>7</b>	<b>£105,000</b>	<b>£0</b>	<b>£105,000</b>
<b>Total For Haringey Council and Employing Bodies</b>				
	<b>16</b>	<b>£299,000</b>	<b>£0</b>	<b>£299,000</b>

### 13 Appeals Process; Quarterly Report to 30<sup>th</sup> September 2007

Appeals Process Quarterly Report	Number Open	Upheld	Not Upheld/ Closed	On Going
Stage 1 Appeal	1	0	0	1
Stage 2 Appeal	2	1	1	0
Pensions Ombudsman	0	0	0	0

### 14. Statement on Compliance:

<b>Pensions Scheme Regulations Local Government Pension Scheme Regulations 1997 (as amended)</b>	The scheme is administered in compliance with the provisions of the scheme regulations and relevant advice.
<b>Data Protection</b>	Data held on records maintained by the Pensions Team is registered in compliance with the relevant Data Protection Legislation
<b>Disclosure of Information The Occupational Pensions Schemes (Disclosure of Information) Regulations 1996</b>	The scheme is administered in compliance with the Disclosure of Information Regulations 1996 (as amended) and relevant advice.
<b>Member Communication</b>	Communication with members and employers is conducted in accordance with the Communications Policy approved by Pensions Panel on 25 <sup>th</sup> January 2005
<b>Best Practice</b>	The scheme is administered having regard to the Best Practice Principles published by the UKSC

### 15 Conclusion

Members are invited to approve the Administration Report

### 16 Use of Appendices / Tables / Photographs

16.1 Appendix 1 is a summary of the New Look Pension Scheme changes

**Summary of New Scheme Changes**

1. Automatic membership for all employees contracted for three months or more
2. Benefit accrual to provide a Pension only based on 1/60<sup>th</sup> of Pay
3. Minimum early retirement age raised to 55 for new employees and for all employees by 30<sup>th</sup> March 2010. (This excludes ill-health retirements)
4. Death in Service Lump Sum increased from 2 time Pay to three times Pay
5. Death on pension guarantee increased for 5 years to ten
6. Death Grant for a deferred pensioner increased from 3 years pension to 5 years
7. Survivor pensions for Nominated Cohabiting Partners
8. Survivor Pensions for death in service based on notional service to age 65
9. Active members will be able to buy extra pension in multiples of £250 up to a maximum of £5000
10. Employers will be able to augment membership by up to 10 years or grant extra pension
11. A cost sharing mechanism to be established by 31<sup>st</sup> March 2009 to advise on the manner in which costs of the scheme will be met after 31<sup>st</sup> March 2010
12. Banded contributions to replace current flat rate
13. Ill-health retirement to be based on three tiers related to the members capability to undertake gainful employment before age 65.