SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Regulatory Update – Administration Service**	**Status**	For Publication
Report to	Authority	**Date**	9 June 2022
Report of	Head of Pensions Administration		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

1.1 To update members on recent legislative developments that will impact on the administration service over the year ahead.

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2 Recommendations

2.1 Members are recommended to:

a. **Note the ongoing projects linked to legislative change and the steps being taken within the administration service to manage the risks of wider service impacts.**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers). The Pensions Dashboard is likely to be of benefit to those of our deferred members who have lost track of their pension benefits.

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes. We will work with employers to minimise the additional demands of verifying membership data for current and former employees.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report have implications for risks O2 (the impact of poor quality data) and O4 (Regulatory Compliance) of the Corporate Risk Register.

5 Background and Options

5.1 The purpose of this paper is to provide an update on recent legislative developments that will impact on the resources within the administration service and to summarise the mitigations that are in place to manage the associated risks of service impact.

Pensions Dashboards

5.2 The Pensions Dashboards Programme (PDP) is a Government initiative whose stated aim is to "*enable individuals to access their pensions information online, securely and all in one place, thereby supporting better planning for retirement and growing financial wellbeing*".

5.3 The PDP are responsible at a national level for creating what they are referring to as an ecosystem which will encompass dashboards themselves, data providers' find and view interfaces and the central digital architecture. This is perhaps best illustrated by the diagram in **Appendix A** which shows the overarching ecosystem and the link that SYPA would have to the ecosystem either directly or, most likely, via an Integrated Service Provider (ISP).

5.4 SYPA has the option to select their own ISP which does not have to be our existing administration system provider (Civica), though there is likely to be an advantage in doing so because they already have a detailed understanding of our data structure which should potentially provide a more seamless link to the individual member data and to our workflows. As part of the wider project, SYPA will nonetheless consider other options for an ISP.

5.5 On 31 January 2022, the DWP published a consultation on the draft Pensions Dashboards Regulations 2022 which suggested that funds would be required to connect to the ecosystem by April 2024 at the latest. Although the LGA have responded formally to the consultation on behalf of LGPS funds to suggest this would be difficult to achieve (partly because of the impact of McCloud – see later in this report) the current timescales set out by our system provider (should we wish to select them as our ISP) suggest that they intend to be ready to connect by April 2023, twelve months ahead of the deadline.

5.6 The Pensions Dashboard project is still in the relatively early stages as the ecosystem itself is still being developed but **Appendix B** sets out a simplified summary of the risks that have been identified to date and potential mitigations. These will continue to be updated as the project develops, though there are no specific areas of concern currently.

McCloud judgement

5.7 Existing members of the Authority will be aware of the McCloud judgement which is the court case that resulted in a government commitment in May 2021 to remedy age discrimination following the 2014 public sector scheme changes by extending the underpin protections for all qualifying members for the period from 1 April 2014 to 31 March 2022.

5.8 The Public Service Pensions and Judicial Offices Bill is still working its way through the parliamentary process so it seems likely that the LGPS specific legislation to be issued by the Government department responsible (DLUHC) will not be available until later this year. This was confirmed in a letter to administering authorities from DLUHC in March 2022 which did set out that the following remedy principles should be reflected in the 2022 actuarial valuation:-

• It should be assumed that the current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap.

• The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).

• Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner).

• Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.

• The underpin will consider when members take their benefit so they can be assured they are getting the higher benefit.

5.9 The administration system provider has been reluctant to commit fully to developing the remedy solution until the specific LGPS legislation has been passed but we have this month (May 2022) received their initial proposal setting out how they anticipate the administration system will be configured to handle the bulk processing. There do appear to be several potential omissions in the proposed solution which, if left unaddressed, would potentially result in significant volumes of manual calculations being required. We will be working with other LGPS funds who share the same software provider and, of course, with the software provider directly to agree resolutions for the omissions but for this reason the systems remedy is highlighted as the most significant current risk on the log included at **Appendix B**.

Stronger Nudge Requirements

5.10 The Government has introduced legislation, **effective from 1 June 2022,** to ensure that individuals are made aware of Pension Wise guidance as part of the application process for taking Defined Contributions (DC) savings. Although the LGPS is a Defined Benefit (DB) scheme, the provision for Additional Voluntary Contributions (AVCs) is a DC arrangement which means members looking to claim their AVC funds are caught by these new provisions.

5.11 The new provisions, loosely bracketed as “Stronger Nudge” requirements, require that funds must offer to book a Pension Wise appointment for members as part of the application process for taking in-house AVCs. Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance about DC pension options. Members are able to opt out of taking Pension Wise guidance but they must make a specific election to do so. SYPA processes have been updated to reflect this new requirement.

Special Severance Payments

5.12 On 12 May 2022, the Government published statutory guidance on the making and disclosure of **Special Severance Payments** (SSPs) by local authorities. SSPs are payments made to employees outside of statutory, contractual or other requirements when leaving employment in public service. The new guidance sets out the decision making and reporting requirements that local authorities must follow in considering such payments.

5.13 Although there are no direct impacts from a pension fund perspective, there are certain payments under the LGPS that may constitute an SSP and local authorities will need to have regard to the guidance. Early retirement strain costs that must be paid by an employer when a member over the age of 55 is made redundant, retires on business efficiency grounds or flexibly retires **do not** constitute an SSP. However, if an employer awards extra pension or waives actuarial reductions in other circumstances this may be treated as an SSP.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	Additional IT/System costs will be incurred in meeting Dashboard and McCloud requirements but these are not yet available.
Human Resources	None directly – additional staff numbers were previously agreed ahead of McCloud implementation.
ICT	See Financial section.
Legal	This report is an update of regulatory provisions that SYPA must comply with.
Procurement	A procurement process may be required to select an Integrated Service Provider for the Dashboards programme.

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**
Pensions Dashboard Programme	UK Pensions Dashboards Programme | Homepage
Statutory Guidance on Special Severance Payments	Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England - GOV.UK (www.gov.uk)