Suffolk County Council

Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

Scheme Employer Representatives:

Councillor Gordon Jones, representing Suffolk County Council.

John Chance, representing all Borough, District, Town and Parish Councils.

Thomas Jarrett, representing all other employers in the Fund.

Scheme Member Representatives:

Suzanne Williams, representing the Unions.

David Rowe, representing Active Members.

Eric Prince, representing Pensioners.

Date: Friday, 11 December 2020

Venue: This meeting will be a remote meeting and therefore will not take place in a physical location following guidelines set in Section 78 of the Coronavirus Act 2020.

The live broadcast is available to watch online

Time: 11:00 am

For further information on any of the agenda items, please contact Rebekah Butcher, Democratic Services Officer, on 01473 264371 or committee.services@suffolk.gov.uk

Business to be taken in public:

Date of next scheduled meeting: Friday, 12 March 2021 at 11:00 am

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Email: committee.services@suffolk.gov.uk; or by writing to:

Democratic Services, Suffolk County Council, Endeavour House, 8 Russell Road, Ipswich, Suffolk IP1 2BX.

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Nicola Beach
Chief Executive

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Suffolk County Council

Agenda Item 4
Unconfirmed

Minutes of the Suffolk Pension Board Meeting held remotely on 2 October 2020 at 11:00 am.

Present:	Councillor Gordon Jones (Chairman) (representing Suffolk County Council), John Chance (representing all Borough, District, Town and Parish Councils), Thomas Jarrett (representing all other employers in the Fund), Eric Prince (representing Pensioners) and David Rowe (representing Active Members).
Supporting officers present:	Rebekah Butcher (Democratic Services Officer), Susan Cassedy (Democratic Services Officer), Paul Finbow (Senior Pensions Specialist), Stuart Potter (Pensions Operations Manager) and Sharon Tan (Pensions Technical Specialist).

59. Apologies for Absence

Apologies for absence were received from Suzanne Williams (representing the Unions).

60. Declarations of Interest and Dispensations

Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

John Chance and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Thomas Jarrett declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme and an employee of Suffolk County Council.

61. Minutes of the Previous Meeting

The minutes of the meeting held on 20 July 2020 were confirmed as a correct record and signed by the Chairman.

62. Pensions Administration Performance

The Board received a report at Agenda Item 4 which provided an update on the performance of the Pensions Administration Team.

In response to a question from a Member in relation to paragraph 7, it was confirmed that there was no opportunity for the new members of staff to meet the rest of the team in person presently, but they did have regularly meetings on MS Teams with their direct colleagues and the wider Pensions Administration Team. The two new staff had also met their manager in Constantine House at the point they were allocated their IT Equipment.

It was also confirmed that no employer had failed to pay its contribution payments within the statutory requirement of 18 working days. The Suffolk Pension Fund would engage with employers to ensure this did not happen but if it did, despite engagement, it would need to be reported to the Regulator. Members noted that at the start of the COVID-19 pandemic, a couple of small employers did make contact in relation to contribution payments, but these companies were backed by a local authority who provided a guarantee, and any proposed alterations should be discussed with the guarantor first.

Members congratulated the Team who had performed remarkably well during these challenging times.

Decision: The Board noted the report.

Reason for decision: The Board was interested in being provided with regular updates on the performance of the Pensions Administration Team including updates on statutory requirements and Service Level Agreements.

Alternative options: There were none considered.

Declarations of interest: Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

John Chance and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Thomas Jarrett declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme and an employee of Suffolk County Council.

Dispensations: There were none granted.

63. Pension Fund Annual Report and Accounts 2019/20

At Agenda Item 5, the Board received a report which provided a copy of the Annual Report and Accounts published by the Suffolk Pension Fund and the opinion issued by the Fund's auditors, Ernst & Young.

In response to a question from a Member, it was confirmed that there were no outstanding points on the audit of the Pension Fund Accounts which alter the unqualified audit opinion. There were a couple of points raised in the Suffolk County Council Accounts which were specific to the response to Covid-19 and it was hoped that these would be signed off by the Audit Committee in the coming weeks.

Members had previously requested further information on Lancashire's asset allocation questioning why Lancashire had performed better than Suffolk. It was confirmed that the overall split between equities, bonds and alternatives was not that different from Suffolk's, which was shown at page 43 of the agenda pack. Members heard that Lancashire did not have any passive investments, but only had active managers, all of whom had outperformed. Lancashire also did not have a specific UK Equity mandate, and instead invested globally. Combined with that was the devaluation of the Pound Sterling. Suffolk also had a smaller allocation to government bonds and more allocation to global bonds, compared to Lancashire, and with the fall in yields which had been seen on government bonds across the world meant a rise in prices.

Decision: The Board noted the Fund’s Annual Report and Accounts.

Reason for decision: The Pension Fund Annual Report and Accounts was an important channel of communication, reporting on the Pension Fund’s activities to employers, scheme members and other stakeholders.

Alternative options: There were none considered.

Declarations of interest: Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

John Chance and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Thomas Jarrett declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme and an employee of Suffolk County Council.

Dispensations: There were none granted.

64. Annual Employers Meeting

At Agenda Item 6, the Board received a verbal update on the Annual Employers meeting held virtually on 25 September 2020.

Members heard that there were 28 employer representatives on the call which would have covered roughly 72 employers. This was roughly the same as previous years that were not a valuation year. The event was Chaired by Councillor Gordon Jones, Chairman of the Pension Board and Councillor Karen Soons, Chairman of the Pension Fund Committee, and four Board members were also in attendance. It was confirmed through feedback that attendees found the format useful.

The Chairman thanked everyone involved in the meeting.

Decision: The Board noted the update.

Reason for decision: The Board was involved in the running of the annual employers meeting, as part of its communications strategy with employers in the Fund.

Alternative options: There were none considered.

Declarations of interest: Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

John Chance and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Thomas Jarrett declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme and an employee of Suffolk County Council.

Dispensations: There were none granted.

65. ACCESS Update

At Agenda Item 7, the Board received an update from the Senior Pensions Specialist in relation to the ACCESS pool.

Members heard that the Inter Authority Agreement was taken to Pension Fund Committee meeting on 16 September which was subsequently agreed by the Committee and requested for it to be considered by the Constitution Working Party and then on to Full Council for ratification on 22 October 2020.

In relation to Link's ability to be able to keep sufficient insurance at the A+ level, Members heard that asset levels had continued to rise, and changes in the insurance market, and particularly the ratings given to insurers, meant that the availability of A+ insurance had become more difficult to obtain. Link had therefore requested pension funds to consider whether they were prepared to accept a reduction from A+ to A- rating to enable them to get sufficient cover. This was considered by the Pension Fund Committee on 16 September, which agreed it was content with that approach should it be necessary.

Members were informed that the ACCESS Joint Committee was hoping to put in place two procurements to seek more assistance in terms of:

a) Communications – Members heard that it was apparent that some other pools were more communicative towards their stakeholders and generally towards government and the wider pensions industry. ACCESS has its own website but had not been making full use of it. Members noted that the new Chairman of the ACCESS Joint Committee was keen on that changing.

b) Environmental, Social and Governance (ESG) – Members heard that within committees, ESG issues was becoming more problematic for some funds, particularly East Sussex, and the ACCESS Joint Committee was looking for some support to work through these ESG issues that ACCESS would need to provide in creating sub-funds.

Members also heard that the contract with Link was to provide a rental model, and only ACCESS and Wales had used this model. Five other pools had contracted the build option. When the contract was put in place, there was an option that after three years ACCESS would consider whether it wished to continue to rent or whether it wished to go down the ownership road in the future. A piece of work had now been started to help the ACCESS Joint Committee to consider these options and it would be completed and considered by the Joint Committee in March 2021.

Members also noted that ACCESS had produced an annual report, and had to complete a return to the MHCLG on the progress that ACCESS had made and the costs and savings that had been achieved so far. Members heard that ACCESS was already cash-flow positive, and for Suffolk, it had paid just short of £800,000 towards costs associated with ACCESS and savings to date were just over £2.2 million. It was noted that it had been beneficial for Suffolk, and it was envisaged that the annual savings figure now would be about £1.3 million per year for Suffolk.

Decision: The Board noted the update.

Reason for decision: The Board was interested in being kept up to date with the progress of the ACCESS pool.

Alternative options: There were none considered.

Declarations of interest: Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

John Chance and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Thomas Jarrett declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme and an employee of Suffolk County Council.

Dispensations: There were none granted.

66. Consultation on the McCloud Remedy

The Board received a report at Agenda Item 8 which set out the key changes to the scheme proposed by the Government in their recent consultation document in response to the McCloud judgement concerning age discrimination.

In response to questions from Members:

a) It was confirmed that the Fund had not been contacted by employers in relation to the new data requirements as a result of the McCloud case. Members heard that it was intended for employers to receive a template on what they needed to supply to the Fund, and then in early November a spreadsheet would be provided to employers confirming who the Fund considered were the affected members.

b) It was also confirmed that pensioners would not see a reduction in their pensions because of the McCloud remedy and potentially 5% of people would gain from it.

Decision: The Board noted the contents of the report and the potential effects on the Administration Team in increased workload.

The Board also requested that reassurance be provided to pensioner members that they would not see a reduction in the payments within the next newsletter, to be issued in the coming weeks.

Reason for decision: The Board was interested in being provided with information regarding forthcoming regulations.

Alternative options: There were none considered.

Declarations of interest: Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

John Chance and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Thomas Jarrett declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme and an employee of Suffolk County Council.

Dispensations: There were none granted.

67. Exit Payment Regulations

At Agenda Item 9, the Board received a report which provided an update on the implementation of the LGPS £95k exit cap and the consultation on the proposed reform on Local Government exit payments.

In response to questions from Members it was clarified that most of the questions Government were asking were in relation to the changes in regulations as opposed to an opinion on whether they were fair or not in terms of the employer's or scheme members. It was noted that there was likely to be a legal challenge by representatives of scheme members.

Decision: The Board considered the contents of the report and the implications that these changes to the regulations would have on both the employers and employees of the Fund.

The Board felt that the following issue should be included in the Suffolk response to the consultation on reform to Local Government exit payments:

a) To seek assurance that scheme members received as much flexibility as possible and options when taking their entitlements.

The Board also requested that this item should be included on the Forward Work Programme.

Reason for decision: The Board was interested in being provided with information regarding forthcoming regulations.

a) A Member pointed out that the changes to the Regulations would be of benefit to employers who would not need to pay as much in making up a reduced pension. Concerns were raised at the lack of consultation on how this would affect scheme members. It was also noted that scheme members might need to take personal financial advice if going through a scenario such as redundancy to find the right approach for them, depending on their personal circumstances.

Alternative options: There were none considered.

Declarations of interest: Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

John Chance and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Thomas Jarrett declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme and an employee of Suffolk County Council.

Dispensations: There were none granted.

68. Pension Board Risk Register

At Agenda Item 10, the Board received a report which set out the Risk Register as approved on 13 March 2020 and how the risk control measures had been implemented against the risks.

Decision: The Board:

a) reviewed the implementation of the risk control measure; and

b) approved the Pension Board Risk Register with the inclusion of a new risk, due to the upcoming pressures on the administration team in relation to the forthcoming regulatory changes. This would be rated as a Moderate impact, with a probability of Likely, making this a High-risk score at 12.

c) requested to review the wording of the new risk as an Information Bulletin item at its 11 December 2020 meeting.

Reason for decision: The Board considered that risk management was a key responsibility of those charged with Pension Fund governance with a duty to identify the range of risks that could affect the long-term sustainability of the Fund.

The effective management of risk was also an area which was covered within the CIPFA Knowledge and Skills framework which recognised the importance of having an understanding of the risks that could have an impact on the Pension Fund and what steps could be taken to mitigate such risks.

The Board were aware of the pressures the administration team was under due to a number of regulatory changes affecting the scheme, as well as Covid-19 and working remotely. New staff might need to be employed to help cope with the pressures, whilst ensuring the team remained at its high level of performance and customer satisfaction.

Alternative options: There were none considered.

Declarations of interest: Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

John Chance and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Thomas Jarrett declared a non-pecuniary interest by virtue of the fact he was an active member of the pension scheme and an employee of Suffolk County Council.

Dispensations: There were none granted.

69. Information Bulletin

The Board noted the Information Bulletin at Agenda Item 11.

70. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 12.

Decision: The Board approved its Forward Work Programme as published with the inclusion of the following items:

a) To be provided with an update on Exit Payment Regulations – as noted at minute 67.

b) To be provided with an update on the McCloud Remedy.

c) To receive an Information Bulletin item on the new Risk Register wording – as noted at minute 68.

d) To receive an Information Bulletin item on the increased auditor fee’s related to the audit of the Annual Report and Accounts.

Reason for decision: The Forward Work Programme was the responsibility of the Board under its Terms of Reference.

71. Board Training

The Board also discussed potential training opportunities whilst holding remote meetings.

A Member suggested that someone from the ACCESS pool could be invited to deliver a session.

It was also recommended that Hymans Robertson could deliver a session on Good Governance, which was a piece of work they undertook for the Scheme Advisory Board.

Members would be sent an email to request further suggestions on future training topics.

The meeting closed at 12:37 pm.

Chairman

Suffolk County Council

Agenda Item 5

Suffolk Pension Board

Report Title:	Pensions Administration Performance
Meeting Date:	11 December 2020
Lead Councillor(s):	Councillor Gordon Jones
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager Telephone: 01473 260296 Email: Stuart.Potter@suffolk.gov.uk

Brief summary of report

1. This report provides the Pension Board with an update on the performance of the Pensions Administration Team. This report also includes details of compliments and complaints as requested by the Board.

Action recommended

2. To consider the information provided and determine any further action.

Reason for recommendation

3. To provide the Board with regular updates on the performance of the Pensions Administration Team including updates on statutory requirements and Service Level Agreements.

Alternative options

4. There are no alternative options.

Main body of report

Administration

5. This report covers staff performance and team achievements since the previous Board meeting on 2 October 2020.

6. The Service Level Agreements for our ‘key’ processes for September 2020 and October 2020 are shown below:

   a) Provision of a transfer quote to scheme members within 10 days of the receipt of the estimated value and all necessary information – Total cases **41** percentage completed in SLA **100%**

b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases **84**, percentage completed in SLA **100%**

c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases **407**, percentage completed in SLA **100%**

d) Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases **180**, percentage completed in SLA **100%**

e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases **34**, percentage completed in SLA **100%**

f) Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases **65** percentage completed in SLA **100%**

7. As a result of continued home working, we have continued to review our working practices to identify improvement opportunities. Since the last Board meeting, we have agreed with internal audit a change to the process for obtaining certificates from members. It is agreed our processes are secure without needing to obtain original certificates and this also makes things easier and safer for our customers at this current time. It removes the need for us to go back and request hundreds of certificates following the end of the COVID pandemic, whenever this will be, and helps protect original documents for our members as they don’t need to enter the postal system.

8. Further to the updates given on the McCloud case during the previous Board meeting our data requirements have now been sent to all employers. A list of affected members will be produced and sent to employers in the near future. We are still awaiting the outcome of the consultation in terms of regulation amendments.

9. Regular communications are being issued to employers regarding the exit payments cap and the impact of this on redundancy situations. We have been awaiting final legal advice on this, and a confirmation of factor changes, and as a result have temporarily suspended calculating redundancy estimates. This has been communicated clearly to employers who have been asked to speak to us on individual cases where there is an urgency to do so.

10. Further to the above paragraph we have had conversations with some employers who want to progress some redundancy cases. We have provided some figures for cases where the capital cost and redundancy figures are clearly going to be below £95k as there is no need to hold these cases up under the current regulations.

11. The Pensioners newsletters were written and issued to Pensioner members during October 2020. The newsletter keeps members up to date with topical issues.

12. Following some issues obtaining data from employers we have spoken to an employer and a payroll provider and improved these situations. Escalation processes have been reviewed so we can ensure we get what we need when required.

13. During this period there have been five compliments, three of which were from employers thanking us for explaining information related to the exit cap payments changes. These changes have needed to be understood quickly by some employers, particularly those in the middle of, or about to commence redundancy situations.

14. The next compliment was for a member of the team who helped a member whose parent had deceased. The wording received stated 'I just wanted to thank you for the speedy and efficient completion of this issue. Compared to Teachers Pensions and State Pension you have been quick and very thorough in your response. This is much appreciated at this difficult time'. The final compliment was from a manager of a department at Suffolk County Council who we helped to support in providing crucial information to customers.

15. During this period there have been three complaints received. The first of these was regarding the attitude and lack of help from a member of the team which had caused a lot of frustration for a member. This was investigated and the members complaint was justified. As a result, a full response and apology was issued to the customer, along with a resolution plan and the customer was satisfied with the response given. As part of this review, the member of staff was spoken to and it was explained how things need to be handled differently next time. In addition, the member of staff will undertake some refresher customer service training just to help remind of the importance of doing things correctly.

16. The other two complaints were both from members who wanted to know what was happening with their pension records and things had not happened as quickly as they would like. In both cases we were waiting for information from employers, however we were not being as proactive as we should, and customers should have been kept up to date. Both members have now been provided with the information needed and the complaints resolved.

17. During this reporting period there have been no IDRP complaints. Neither of the complaints mentioned during the October meeting have moved to stage 2 at this time.

18. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

Contribution payments

19. The administration strategy requires contributions from employers to be received by the Pension Fund within 5 working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received during 2020/21 quarter 1 and 2:

	Quarter 1			Quarter 2		
	Employer	Contributions		Employer	Contributions	
	%	£'m	%	%	£'m	%
On Time	90%	28.951	99.0	90%	30.155	99.6
Up to 1 week late	2%	0.081	0.3	2%	0.029	0.1
Over 1 week late	8%	0.200	0.7	8%	0.100	0.3
Total		**29.232**			**30.282**	

Sources of further information

No other documents have been relied on to a material extent in preparing this report.

Suffolk County Council

Agenda Item 6

Suffolk Pension Board

Report Title:	Ill Health Retirement Strain Costs
Meeting Date:	11 December 2020
Lead Councillor(s):	Councillor Gordon Jones
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pensions Specialist Telephone: 01473 265288 Email: Paul.Finbow@suffolk.gov.uk

Brief summary of report

1. The Pension Fund Committee recently reviewed the incidences of ill health early retirements awarded to employees who are members of the Suffolk Pension Fund and the costs of those awards. After careful consideration, the Committee has mandated that smaller employers should all have Ill Health Liability Insurance in place as standard from 1 April 2021.

2. This report covers the evidence presented to the Pension Fund Committee with which they made their decision and the consultation that they have launched to establish the size criteria of the Employers who will be mandated to hold Ill Health Liability Insurance.

Action recommended

3. To consider the information provided and respond to the consultation.

Reason for recommendation

4. The Pension Fund Committee has commenced a consultation on the size criteria for Employers who will be mandated to hold Ill Health Liability Insurance.

5. The Pension Board in its role as representing the Employers in the Fund is requested to respond to the consultation.

Alternative options

6. There are no alternative options.

Main body of report

Pension Fund Committee

7. At its meeting on 24 November 2020 the Pension Fund Committee reviewed the occurrences and costs of ill health early retirements. Having considered the evidence presented, and in order to protect the Employers in the Fund, the Committee has mandated that certain Employers in the Fund should hold Ill Health Liability Insurance to ensure that they can meet the pension strain costs of any early ill health pension awarded to their employees. This report is attached as **Appendix 1**.

Consultation

8. The Pension Fund Committee is holding a consultation to establish views on the size criteria of the Employers who will be mandated to hold Ill Health Liability Insurance. The consultation will be open to responses until 31 January 2021.

9. The consultation is attached as **Appendix 2**.

10. The Board is asked to consider the report and provide a response to the consultation.

Sources of further information
No other documents have been relied on to a material extent in preparing this report.

Suffolk County Council

Appendix 1

Suffolk Pension Fund Committee

Report Title:	Ill Health Employer Costs
Meeting Date:	24 November 2020
Lead Councillor(s):	Councillor Karen Soons
Local Councillor(s):	All Councillors
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pensions Specialist Telephone: 01473 265288 Email: paul.finbow@suffolk.gov.uk

Brief summary of report

1. This report sets out the current arrangements for covering ill health early retirement costs of the Fund and the experience over the last five years.

2. This report also includes the options that are available to meet the Ill Health Liability that occurs for employers when a deferred member or active member of the scheme is awarded early retirement due to ill health.

Action recommended

3. The Committee is asked to approve introducing mandatory ill health liability insurance for certain employers in the Fund.

4. A consultation will be held with the employers and the Pension Board to establish their views on the size criteria of the Employers who will be mandated to hold ill health liability insurance.

5. The Committee will approve the size criteria at its meeting on 25 February.

6. The insurance will be mandatory for those employers from 1 April 2021.

Reason for recommendation

7. When an LGPS member is awarded early retirement on grounds of ill health there is an increase in the pension liability for the employer known as the strain cost. Ill health retirements are relatively infrequent but variable and unpredictable, and there is a risk that an employer is unable to meet the strain cost.

Alternative options

8. The Committee could decide not to mandate insurance for certain employers and to keep the current arrangements in place.

Who will be affected by this decision?

9. The Employers in the Fund.

Main body of report

Ill Health Pensions

10. The purpose of this paper is to update the Committee on the current arrangements for dealing with ill health costs, the level of ill health experience in Suffolk and the options to consider for dealing with ill health costs in the future.

11. If an active member of the scheme becomes unable to work due to ill health, then they may be entitled to early payment of their LGPS pension. To qualify they need to have met the 2 year vesting period in the scheme and have a statement from an independent occupational health physician, appointed by the employer, declaring that they will be permanently unable to do their job and are not capable of undertaking gainful employment.

12. Ill Health benefits can be paid at any age and are not reduced on account of early payment. There are graded levels of benefit based on the likelihood of the employee being capable of gainful employment (paid employment for not less than 30 hours a week).

13. The different levels of benefit are:

    - Tier 1 – employee is unlikely to be capable of gainful employment before their Normal Pension Age, ill health benefits are based on the pension they have already built up at the date of leaving the scheme plus the pension they would have built up, calculated on assumed pensionable pay, had they been in the scheme until they reached their Normal Pension Age.
    - Tier 2 – employee is unlikely to be capable of gainful employment within 3 years of leaving, but are likely to be capable of undertaking such employment before their Normal Pension Age, ill health benefits are based on the pension they have already built up at the date of leaving the scheme plus 25% of the pension they would have built up calculated on assumed pensionable pay, had they been in the scheme until they reached their Normal Pension Age.
    - Tier 3 – employee is likely to be capable of gainful employment within 3 years of leaving, Ill health benefits are based on the pension they have already built up in their pension account at leaving. Payment of these benefits will be stopped after 3 years, or earlier if they are in gainful employment or become capable of such employment, provided they have not reached their Normal Pension Age by then. If the payment is stopped it will normally become payable again from their Normal Pension Age but there are provisions to allow it to be paid earlier.

14. The decision about the awarding of ill health retirement is solely the responsibility of the employer, based on the medical evidence.

15. Active members that are awarded Tier 1 or Tier 2 Ill health retirements generate an additional cost that the employer needs to pay into the Fund due to the enhancement and early payment of benefits to the scheme member. These are normally payable in the year of retirement.

16. In contrast, death in service costs are all charged to the Fund, and the employer contributes to these through their normal contribution rates that are assessed by the actuary every three years.

Calculation of ill health strain costs

17. The ill health strain cost is calculated to factor in the cost of providing benefits earlier than expected, without reduction and if applicable, an enhancement. The value of the strain costs can vary significantly. The strain cost for a tier 1 ill health retirement of a 40-year-old earning £60 k p.a. is going to be considerably more than a 55 year old earning £20 k p.a.

18. The strain costs are currently calculated on the basis of factors produced by the Actuary (Hymans Robertson) using an actuarial prudence assessment. Changes intended to be introduced in 2021 are likely to change the basis to a nationally determined best estimate basis, using factors provided by the Government Actuary Department (GAD).

19. The strain cost does not take into account the actual outcome as that is unknown and cannot be foreseen and therefore the strain cost could be much higher than is needed to cover the early pension payment if:

    - The employee dies within a short time of being awarded an ill health pension and has no dependents.

20. Or could be lower than what eventually gets paid:

    - The employee is awarded an ill health pension at 40 years of age and lives for another 50 years.

21. The current arrangements mean that any differences between actual costs over time and the strain cost benefit or fall to the individual employer and are, therefore, taken into account when setting future employers contribution rates.

Current settlement of Ill Health liability

22. The current arrangement for the dealing with Ill health strain costs has developed over time and allows individual employers to have choice about how they deal with these potential costs. Each employer currently makes its own decision about how to cover these strain costs and is solely responsible for the costs that occur from its own members.

23. When an employee is awarded an ill health pension a Pension strain occurs which needs to be met by the employer. These costs are met in one of two ways as per the employer choice:

    - Contribution rate budget allowance
    - External ill health insurance

24. The Fund has been encouraging smaller employers to take out insurance to remove the risk to themselves, and this in turn removes the risk to the Fund that a small employer will not be able to meet the cost. The cost of insurance is paid out of the employer contributions to the Fund and is therefore cost neutral to the employer.

25. The current arrangements to date have operated well and there have been no issues in collecting strain cost monies from employers.

Ill Health Claims

26. The table below sets out the ill health experience during the last 5 years.

	2015/16	2016/17	2017/18	2018/19	2019/20
No. of Payments	41	40	35	38	36
No. of Employers	13	12	9	9	12
Lowest Amount	21	1,415	381	2,414	795
Highest Amount	546,423	382,855	441,567	277,197	1,286,221
Average Amount	68,003	69,703	79,660	73,371	77,447
Total Amount	3,292,565	3,028,868	2,341,865	2,051,254	3,235,651

27. The table highlights that the number of cases each year are similar, along with the average cost. However, the single highest cost has been very different, and the cost of nearly £1.3m for a single retirement in 2019/20 highlights the potential scale of costs to an individual employer. Dependant on the size of employer, the effects of a large cost will be different.

28. The table below sets out the ill health retirements, split between groups of employers categorised as per their total pensionable pay.

	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Employer Group	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Suffolk County Council	1.432	1.214	0.767	1.155	1.102
District Councils & Police	1.521	1.447	1.531	0.644	0.182
Large (>£2.5m)	0.067	0.039	0.001	0.219	0.309
Medium (£1m - £2.5m)	0.090	0.267	-	0.033	0.159
Small (£100k - £1m)	0.183	0.062	0.043	-	1.484
Very Small (<£100k)	-	-	-	-	-
Total	**3.293**	**3.029**	**2.342**	**2.051**	**3.236**

29. The table shows that the largest single retirement cost was incurred by a Small employer. This employer had taken out insurance and the cost of this retirement was paid out to the Fund by the insurer.

Contribution Rate Budget Allowance

30. Within each Employer's contribution rate there is an element built in to be used against the strain payment of Ill Health early retirement claims. The % included in the contribution rate for the 2019 valuation exercise ranges between 0.2% to 2.0%. The average as a whole is 0.8%.

31. The annual ill health budget allowance for the last two valuations are as below:

	2016	2019
Employer Group	**£'m**	**£'m**
Suffolk County Council	1.930	1.072
District Councils & Police	1.372	1.032
Large (>£2.5m)	0.362	0,317
Medium (£1m - £2.5m)	0.423	0.299
Small (£100k - £1m)	0.191	0.169
Very Small (<£100k)	0.056	0.036
Total	**4.334**	**2.925**

32. The Committee will notice that the allowances included in the 2019 valuation are lower than 2016. This is a function partly of certified employer contribution rates being lower in the 2019 valuation and the recent experience of uninsured ill health costs being lower.

33. Any strain amount that exceeds the three-year budget is payable on demand. Due to the scale of allowance for Suffolk County Council, any additional costs are picked up as a liability during the triennial valuation exercise. Experience to date has been that the Suffolk County Council allowance has been sufficient to cover costs over the three-year valuation period.

34. In circumstances where the costs of employer ill health is lower than the allowance, these just add to the contributions paid and therefore benefit the employer at the next triennial valuation.

External Ill Health Insurance

35. The Fund in conjunction with Hymans and Legal & General, offers an Ill health insurance which can be purchased to cover the full strain cost for tier 1 and tier 2 ill health retirements. The insurance premium is calculated as a percentage of each employer's payroll and the premium is deducted from the employers' contributions, netting off against the contribution rate budget allowance.

36. The availability of insurance has been regularly communicated to all employers, with a particular emphasis on its potential value to the smaller employers in the Fund.

37. The insurance is currently voluntary. A list of the Employers that hold this insurance is attached as **Appendix 1**. The Committee will note that the number of employers taking out insurance has risen in recent years.

38. The amount claimed on insurance is as follows:

2017/18	2018/19	2019/20
41,602	36,945	1,368,950

Options to meet ill health pension strain costs

39. Although the current arrangements in place continue to work, there is a risk that the Fund could experience an issue in the future where an employer has chosen not to take out the insurance and is unable to pay the strain cost. This is particularly an issue for smaller employers in the Fund. The incidence of an insured ill health cost being above £1.2m brings into focus the potential cost to an employer which they may not have the resources to pay.

40. It is therefore thought appropriate that the Fund should review the way it currently administers the payment of ill health strain costs to satisfy itself that it has the necessary policies in place to protect itself and its employers.

41. From discussions with Hymans Robertson, there are two options that the Fund could consider adopting to assist employers in meeting the pension strain of ill health retirements. These include mandating ill health insurance or setting up an internal cost sharing model (and there are various variants to how a cost sharing model could be set up).

42. Mandating insurance cover for certain employers would remove the risk of those employers not being able to meet the costs of an ill health strain cost, and in doing so would also protect the Fund and its other employers.

43. Based on the analysis of employers included in this report, those with a payroll of less that £1m may be those considered less able to meet potential ill health costs. This totals around 239 employers. This includes most of the town and parish councils, academies, and small contractors.

44. Although there are obvious advantages in cost sharing for smaller employers, there are some potential disadvantages for larger employers, namely they will cover the cost of approximately 75% of all ill health costs from which ever employer they arise. In addition, the current arrangement of aligning the decision makers of ill health claims with those that pay, would also be lost.

45. The Committee is asked to approve introducing mandatory insurance for certain employers in the Fund from 1 April 2021.

46. In keeping within a good governance ethos and demonstrating transparency in its decision making it would be appropriate that employers are consulted on their views to establish the size criteria for the employers that will be mandated to have the insurance.

Next Steps

47. The Fund will consult with employers and the Pension Board to establish their views on the criteria and report back to the Committee in February.

Conclusion

48. The current employer choice of dealing with ill health costs has not caused any issues to date but there is a risk that smaller employers may not be able to meet a large early retirement strain cost.

49. The Committee is asked to approve introducing mandatory ill health liability insurance for certain employers in the Fund.

50. A consultation will be held with the employers and the Pension Board to establish their views on the size criteria of the Employers who will be mandated to hold ill health liability insurance.
51. The Committee will approve the size criteria at its meeting on 25 February.
52. The insurance will be mandatory for those employers from 1 April 2021.

Sources of further information

No other documents have been relied on to a material extent in preparing this report.

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Consultation for mandatory ill health liability insurance

The Pension Fund Committee recently reviewed the incidences of ill health early retirements awarded to employees who are members of the Suffolk Pension Fund and the costs of those awards.

Currently Employers have the choice to take out Ill Health Liability Insurance to cover these costs or to be invoiced for the liability outstanding after the budgeted allowance for ill health included in the contribution rate has been taken into consideration.

Over the last five years there have been one or two liabilities a year that some smaller employers who have less financial resources at their disposal, could have difficulties paying. In order to protect some of the Fund's smaller employers from being unable to pay such a liability should one occur in their organisation, the Pension Fund Committee after careful consideration have mandated that smaller employers should all have Ill Health Liability Insurance in place as standard from 1 April 2021.

Ill Health Retirements

If an active or deferred member of the scheme becomes unable to work due to ill health, then they may be entitled to early payment of their LGPS pension. Ill Health benefits can be paid at any age and are not reduced on account of early payment.

Ill health retirements generate an additional cost that the employer needs to pay into the Fund due to the enhancement and early payment of benefits to the scheme member. Ill health retirements are relatively infrequent but variable and unpredictable, and there is a risk that your organisation may be unable to meet the strain cost.

In 2019/20 there were 36 ill health retirements which totalled £3.2 million. The average amount of the liability was £77,447, with the highest single amount being £1.3 million. This liability was incurred with an employer which only had 38 active members but had fortunately taken out Ill Health Liability Insurance.

What is Ill Health Liability Insurance

Ill health insurance covers the full strain cost of liabilities incurred for an employer if a member of the Pension Fund is awarded early retirement due to ill health.

How much will it cost

The insurance premium is calculated as a percentage of each employer's payroll and the premium is deducted from the employers' contributions, netting off against the contribution rate budget allowance meaning it will not be an additional cost to you as an employer in the Fund.

Which employer will this affect

The Committee has considered Employers with a Suffolk Pension Fund pension payroll of less than £1 million to be smaller employers. Individual academies in multi academy trusts with a combined Suffolk LGPS pension payroll of more than £1 million will not be considered as a smaller employer.

Employers who already have the insurance in place who would not be classified as a smaller employer can still maintain the insurance.

Consultation

The Committee is holding a consultation to establish views on the size criteria of the Employers who will be mandated to hold Ill Health Liability Insurance and would like to hear the views from all of the Employers in the Fund.

1. The Pension Fund Committee are suggesting that all Employers in the Suffolk Pension Fund, that has a LGPS pension payroll of less than £1m should have Ill Health Liability Insurance – what are your views on this?
2. Are there any other considerations the Committee should take into account when approving the criteria for which employers should be mandated to take out Ill Health Liability Insurance.

Consultation Timeline

The consultation is open from today until the 31 January 2021.

Responses

Please send your responses to Sharon Tan (sharon.tan@suffolk.gov.uk) who will collate all the responses and present them to the Pension Fund Committee at their meeting on 25 February 2021.

What happens next

The Pension Fund Committee will consider the responses and agree the criteria to be met for those employers who will be mandated to hold ill health liability insurance.

This will be communicated to all employers in the Fund.

The Pension Fund will then be in contact with all employers that this affects to implement the insurance.

SUMMARY UPDATE (Part I)
ACCESS Joint Committee (JC):
12 November 2020

Ten ACCESS Authorities were represented. The key matters considered are described below.

Part I Item	Details
Chairman's remarks	The Chair updated the Committee on the positive work of Members via the Communications procurement interviews (to detailed in a later item) and advised the Committee that further work on making best use of Member Spokespeople on particular ACCESS matters was in progress
Business plan & budget	The Committee considered an update on the 2020/21 Business Plan. It was highlighted that ACCESS had recently been approached by colleagues at the Border to Coast Pool about a proposal to jointly commission research on learnings from international instances of pooling. It is understood that up to six other LGPS pools are likely to proceed with this project, and that, were ACCESS to participate, the likely cost could be in the region of £20k, which could be met from the existing Strategic & Technical budget. Officers were still reviewing the detail, however considered that there was likely merit in proceeding. Members supported ACCESS joining the project. **Report noted.**
Environmental, Social & Governance (ESG) and Responsible Investment guidelines.	The Committee considered a report detailing the approach to procuring advice on ESG & RI matters. It was highlighted that the advice would be sought in two phases: • phase 1 to focus on developing, drafting and implementing revised guidelines along with identifying future reporting requirements; • phase 2 to concentrate on the delivery and development of the reporting requirements. The report's timetable for the procurement via the National LGPS Frameworks of phase 1 advice included submissions, and interviews ahead of the JC's next meeting on 13 January 2021. **The JC noted the report and agreed that the following Members participate in the interview panel:** Cllr Kemp-Gee (JC Chairman, Hampshire) Cllr Barker (JC Vice-Chairman, Essex) Cllr Fox (East Sussex) Cllr Ekins (Northamptonshire) to act as substitute if required.

Communications	The JC considered a report which detailed progress on the procurement of external communication support via the Bloom framework. This included the procurement timetable and highlighted those JC members on the interview panel: Cllr Kemp-Gee (JC Chairman, Hampshire) Cllr Barker (JC Vice-Chairman, Essex) Cllr Soons (Suffolk) It was confirmed that the interviews took place on 9 November, and that details of the proposed appointment were contained within a separate paper to be discussed within Part II of the agenda. **Report noted.**
Part II Item	Details
Communications	The JC received a report which highlighted that, following evaluation of the bids received and interviews held on 9 November, the firm with the highest score was Engine MHP. **The proposal to appoint Engine MHP to provide external communications support for a period of two years was agreed.**
Contract Management	The JC received a report covering a number of aspects of Contract and Supplier Relationship management including: • details of the successful conclusion to negotiations with Link Fund Solutions on additional Key Performance Indicators; • an update on the intended relaxation of the insurers providing Link's Professional Indemnity and Crime insurance to A- level; and • progress by each Authority on implementing both of the above through the Operator Agreement change control process. The Contracts Manager also drew attention to the forthcoming Virtual Investor Day which has been scheduled for the afternoon of the 17 December, for which invitations have been dispatched. **Report noted.**
Sub-fund implementation	The JC received a report outlining progress on sub-fund implementation. It was highlighted that a total of seven sub-fund launches had been scheduled for November and December, two of which (Global equites; Acadian and UK equities; Majedie) had been successfully launched in the week of the Committee's meeting. **Report noted.**

Illiquid assets	The JC received a report updating on progress in developing pooled illiquid asset investment solutions. The background and process of engagement with ACCESS Authorities was highlighted, and Sam Gervaise-Jones from advisers bFinance outlined the potential solutions for private equity, private debt, infrastructure and real estate. Dialogue with Authorities continues, and the intention is to bring formal recommendations for consideration to the JC's next meeting. **Report noted.**
Fiduciary Duties Q&A document	Clifford Sims from legal advisers Squire Patton Boggs outlined work led by the Norfolk Pension Fund in developing a "Question and Answer" document detailing how fiduciary duties apply within the LGPS based on engagement with Paul Newman QC. It was noted that further dialogue with another leading QC was in progress and that the document would remain in draft until this and other consultation and review was completed. Norfolk confirmed that the draft document could be shared with ACCESS authorities' Pension Committees but on the condition of maintaining confidentiality until final approval. **Update noted.**
Next meeting date	13 January 2021 – Virtual meeting

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Suffolk County Council

Agenda Item 8

Suffolk Pension Board, 11 December 2020

Information Bulletin

The Information Bulletin is a document that is made available to the public with the published agenda papers. It can include update information requested by the Committee as well as information that a service considers should be made known to the Committee.

This Information Bulletin covers the following items:

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1. LGPS 2013 Act Regulations

1.1 In August, the Government issued a partial response to the consultation held on policy proposals to amend the Local Government Pension Scheme 2013 Act regulations. The main points being considered were:

a) The best approach to transitioning the Pension Funds to a quadrennial local valuation cycle.

b) Alternatives to the regulations that require Employers to pay a lump sum exit payment to the scheme when the last active employer leaves.

c) Allow higher and further education establishments to determine whether to offer the LGPS to new non-teaching staff which would reflect their non-public sector category status.

1.2 New regulations will be drawn up that will allow:

a) A review of contribution rates between formal valuations due to significant changes to the liabilities, significant changes in covenant or if an employer requests it.

b) The administering authority will be able to agree payment plans when employers have exit debts.

c) The introduction of a deferred employer status allowing an employer to remain in a fund even if their last active member leaves whereas current regulations require a cessation to be triggered.

1.3 The link to the Government response is:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/911792/Government_response_Exit_payments_and_review_employer_contributions.pdf

1.4 A further response will be issued on the remaining proposals in due course.

1.5 A paper will be considered by the Pension Fund Committee in February on the criteria for allowing deferred employer status in the Suffolk Pension Fund.

Back to top

2. £95k Exit Cap

2.1 Government has announced the implementation of the exit Payment Regulations from 4 November 2020 meaning that public sector bodies must not make payments in relation to individuals exits in excess of £95k.

2.2 There is currently a conflict between the Exit Payment Regulations and the LGPS Regulations. The LGPS Regulations state that a member (over the age of 55) is entitled to unreduced pension benefits if they leave employment on grounds of redundancy or efficiency. This carries a pension strain cost, which employers must pay, and which contributes to a member's exit payment. Where the total of a member's exit payments exceeds £95k, then the full strain cost cannot be paid, and the member is unable to have unreduced benefits. The LGPS regulations do not yet allow for partially reduced benefits (in line with the capped strain cost). As a result, if an employer adheres to the Exit Payment Regulations, the Suffolk Pension Fund is unable to follow the LGPS Regulations, and vice-versa.

2.3 MHCLG have set out their view on how this should be dealt with until the LGPS Regulations have been amended (by providing either fully reduced or deferred benefits to the member), and paying a cash alternative to the strain cost to the member. However, following this guidance will not be consistent with both Regulations, and therefore carries a high risk of legal challenge as it involved denying members benefits they would expect to receive under current LGPS regulations.

2.4 It has been advised that Employers and LGPS administering authorities will need to take their own legal advice on what to do in the period between the Exit Cap Regulations coming into force on 4 November and the LGPS Regulations being amended early next year.

2.5 The Suffolk Pension Fund has sought legal advice from Squire Patton Boggs, in collaboration with other ACCESS Pension Funds and has been engaging with employers in the Fund.

Back to top

3. McCloud Ruling

3.1 The consultation on the draft regulations introducing amendments to the statutory underpin closed on 8 October 2020. The consultation response submitted by Suffolk County Council is attached as **Appendix 1**.

3.2 The Pension Fund Committee has recognised that additional work will be required which may not be possible to undertake within the current resources available in the Administration team. However, the exact resource requirement will not be known until further announcements from Government have been received and the timescale for implementation is known. The Pension Fund Committee has approved in principle additional resource to complete this work, delegating to the Chairman of the Committee and the

Head of Finance (S151 Officer) to consider proposals brought forward by the Senior Pensions Specialist.

Back to top

4. Governance Policy and Inter Authority Agreement approval by Council

4.1 The Governance Policy and the ACCESS Inter Authority Agreement were reviewed and approved in principle by the Pension Fund Committee on 16 September 2020.

4.2 As per Suffolk County Council procedures, any changes to the Constitution require approval by the Council.

4.3 The Constitution Working Party reviewed these and signed them off at their meeting on 29 September 2020 and they were subsequently approved by the Council at its meeting held on 22 October 2020.

Back to top

5. New Employers

5.1 There was one new employer admitted into the Fund during the second quarter of the year (July to September).

a) Sir Bobby Robson (Unity schools Partnership).

Back to top

For further information on any of these information items, please contact:

Paul Finbow, Senior Pensions Specialist;
Email: Paul.Finbow@suffolk.gov.uk, Telephone: 01473 265288.

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Date: 7 October 2020
Enquiries to: Paul Finbow
Tel: 01473 265288
Email: Paul.finbow@suffolk.gov.uk

Local Government Finance Stewardship
Ministry of Housing, Communities and Local Government
2nd Floor
Fry Building
London
SW1P 4DF

Dear Sirs

Local Government Pension Scheme (LGPS) - Response to consultation: Amendments to the Statutory Underpin

I write in response to the Department's consultation on amendments to the statutory underpin which commenced in July 2020.

The response set out in **Annex 1** represents the views of Suffolk County Council, the Suffolk Pension Fund Committee and the Suffolk Pension Board.

Yours faithfully

Louise Aynsley

Louise Aynsley
Head of Finance
S151 Officer

Annex 1

Question 1 – Do you agree with our proposal to remove the discrimination found in the McCloud and Sargeant cases by extending the underpin to younger scheme members?
Yes, this is consistent with the Court of Appeal's ruling.

Question 2 – Do you agree that the underpin period should end in March 2022?
Yes, this is consistent with the original commitment that members within 10 years of retirement on 31 March 2012 would be no worse off.

Question 3 – Do you agree that the revised regulations should apply retrospectively to 1st April 2014?
Yes, the age discrimination began on 1 April 2014 so it should be applied retrospectively.

Question 4 – Do the draft regulations implement the revised underpin which we describe in this paper?
Yes.

Question 5 – Do the draft regulations provide for a framework of protection which would work effectively for members, employers and administrators?
The protection would appear to work effectively, however the additional work required of employers and especially LGPS administrators should not be underestimated.

It is likely that a significant number of employers will not be able to provide every piece of data that is required to calculate the underpin across all eligible members e.g. historic salary details for ex-employees. Funds may therefore need to make assumptions to fill in any gaps in the data, which could undermine the effectiveness of the regulations. We would welcome guidance from MHCLG/SAB on how funds should account for any missing data required to calculate the underpin and how this should be communicated with employers and impacted scheme members.

Question 6 – Do you have other comments on technical matters related to the draft regulations?
The consultation document states, in respect of the death of an active member that "For a qualifying member in active service, their date of death will be both their underpin date and their underpin crystallisation date". However, this will not always be the case and a member who dies in active service after their 2008 Scheme NPA will have a separate underpin date and underpin crystallisation date.

Question 7 – Do you agree that members should not need to have an immediate entitlement to a pension at the date they leave the scheme for underpin protection to apply?
By extending the underpin to those who do not have an immediate entitlement to benefit (and by extension to those who have already retired without an immediate entitlement to benefit) the protection does more than simply address existing age discrimination. Under these proposals the underpin will now apply to members of all ages in more circumstances than was previously the case.

However, the original assurance to members of public service pension schemes was that "Anyone 10 years or less from retirement age on 1 April 2012 can be assured that there will be no detriment to their retirement income[1]". In practice, the underpin in its current incarnation can produce a scenario in which a member who was within 10 years or less from retirement on 1 April 2012 is worse off, just by virtue of retiring from deferred status.

We understand the government's policy intention is to rectify this anomaly and we agree that underpin should be extended to those members who leave without an immediate entitlement to pension.

Question 8 – Are there any other comments regarding the proposed underpin qualifying criteria you would like to make?
No. If a deferred member aggregates their benefit s and as a result is no longer entitled to a refund then the underpin could apply.

Question 9 – Do you agree that members should meet the underpin qualifying criteria in a single scheme membership for underpin protection to apply?
We agree that the underpin qualifying criteria should have to apply in a single record.

Question 10 – Do you agree with our proposal that certain active and deferred members should have an additional 12 month period to decide to aggregate previous LGPS benefits as a consequence of the proposed changes?
It follows that if the regulations are amended to require a member to meet the underpin criteria in a single record then there are members with unaggregated periods of service, who currently qualify, who will lose their underpin entitlement.

In the interests of fairness such members should be given the opportunity to aggregate their records in order to preserve their underpin entitlement.

We believe there should be a discretion to allow administering authorities to extend the 12 month aggregation window. While we would hope that the exercise can be completed within 12 months there may be cases where through no fault of the member the exercise is not completed in time and it would be unreasonable for the member to miss out in such circumstances.

Question 11 – Do you consider that the proposals outlined in paragraphs 50 to 52 would have 'significant adverse effects' in relation to the pension payable to or in respect of affected members, as described in section 23 of the Public Service Pensions Act 2013?
Aggregating pension records does not always provide benefit to scheme members, particularly where their previous employment was on a significantly higher salary. Therefore, there will be instances where aggregation to extend the entitlement to the underpin would be detrimental to the member.

Question 12 – Do you have any comments on the proposed amendments described in paragraphs 56 to 59?
No. The proposed amendments to widen or clarify the protections would appear to be consistent with the government's stated policy of ensuring appropriate protection for scheme members and their survivors.

It is appreciated, however, that the amendments to the protections will result in additional work for administrators potentially having to revisit underpin calculations where a protected member leaves active service, returns without a disqualifying break in service and elects to aggregate the two membership periods.

Question 13 – Do you agree with the two-stage underpin process proposed?
The two-stage approach is consistent with the government's stated policy intentions. The consultation document does acknowledge potential implications for annual allowance assessments, which we have covered off in our response to Q18 below.

Question 14 – Do you have any comments regarding the proposed approaches outlined above?
The proposed process for Club Transfers places a significant onus on the member as it requires them to make a decision as to how their benefits will be treated in the receiving scheme. This will inevitably be a complex financial decision and one where the "correct" answer will not be known until retirement. This is an area where a consistent approach across funds and clear communication to members will be important.

Question 15 – Do you consider there to be any notable omissions in our proposals on the changes to the underpin?
No.

Question 16 – Do you agree that annual benefit statements should include information about a qualifying member's underpin protection?
We believe that the annual benefit statement should inform members if they are eligible for the underpin calculation. Any inclusion of value is likely to be minimal use as until the crystallisation event occurs the amount will change annually.

Question 17 – Do you have any comments regarding how the underpin should be presented on annual benefit statements?
The underpin will inevitably introduce additional complexity and it will be challenging to explain to members. Affected members will see their underpin value change from year to year and may see years when the underpin applies and years when it does not. Informing a member on their annual benefit statement that they qualify for a calculation of the underpin is probably of equal value to trying to estimate what it might be. A standard presentation and wording for annual benefit statements would be helpful and we would welcome the proposal for SAB to provide a standardised approach.

Question 18 – Do you have any comments on the potential issue identified in paragraph 110?
We believe that on balance it is appropriate to apply the annual allowance test at the underpin crystallisation date. This is the date at which the definitive value of the underpin is calculated and, therefore, the date at which the member experiences the actual pension growth attributable to the underpin. The approach would also be consistent with that already in place for the existing underpin.

We recognise that this approach could have the effect of causing a spike in the closing value of a member's benefits in the pension input period in which the underpin crystallisation date occurs. However, the benefit of this approach is that an affected member is more likely to have some unused annual allowance remaining from the previous 3 years which they can use to offset any tax charge.

The consultation document acknowledges that the proposed solution might not work for those members with relatively low career average pensions in respect of the underpin period, but relatively high final salary benefits as a consequence of career progression. Given that the effects of the revised underpin will be with us for many years into the future, we appreciate that the number of such cases over time might not be insignificant. We also appreciate that due to the level of career progression over time such individuals may no longer have unused annual allowance available to them to offset any breach.

Question 19 – Do the proposals contained in this consultation adequately address the discrimination found in the 'McCloud' and 'Sargeant' cases?
Yes.

Question 20 – Do you agree with our equalities impact assessment?

Yes.

Question 21 - Are you aware of additional data sets that would help assess the potential impacts of the proposed changes on the LGPS membership, in particular for the protected characteristics not covered by the GAD analysis (age and sex)?
No.

Question 22 – Are there other comments or observations on equalities impacts you would wish to make?
No.

Question 23 – What principles should be adopted to help members and employers understand the implications of the proposals outlined in this paper?
Members will need to receive reassurance that the changes are fair and that it will be applied to them accurately. It will be important for members to understand that the process is an automatic one and does not require them to lodge a claim. They also need to be aware that the numbers that will see a financial benefit from the change is likely to be small.

Communications with employers should focus on the practical requirements of providing the data required to operate the underpin and any assumptions being made where member data is missing.

Question 24 – Do you have any comments to make on the administrative impacts of the proposals outlined in this paper?

Implementing these proposals will inevitably have a significant impact on the administrative team, and the scale of the work is likely to lead to additional resource requirements.

For Suffolk, we have identified over 30% of the active members will qualify for the underpin protection, as well as over 4,000 deferred members who have left since 2014. All these members will need additional data supplied from employers in order that the underpin test can be completed accurately in the future.

In addition there are nearly 3,000 members who have retired since 2014 that will need to have their cases revisited to determine whether the revised underpin would have resulted in more pension amounts being payable.

The scale and complexity of this exercise could also create a significant communications challenge for the Fund.

Question 25 – What principles should be adopted in determining how to prioritise cases?
Cases where members have already retired (or died) should be the priority as the underpin could impact on a member's (or survivor's) current retirement income. Thereafter, members closer to their underpin crystallisation date should be prioritised.

Question 26 – Are there material ways in which the proposals could be simplified to ease the impacts on employers, software systems and scheme administrators?

No, if the Governments policy intention is to be followed.

Question 27 – What issues should be covered in administrative guidance issued by the Scheme Advisory Board, in particular regarding the potential additional data requirements that would

apply to employers?
One area where additional guidance would be welcome is what to do when an employer is incapable of providing historic member data. Ideally, SAB should publish a set of guidelines that provide a framework for employers and administering authorities when making assumptions about service and salary history in the absence of complete information.

Question 28 – On what matters should there be a consistent approach to implementation of the changes proposed?
We support a consistent centralised data template and communications, as issued by the SAB. We believe that a centralised approach to dealing with employers who cannot provide the necessary data is also welcome (see answer to question 27).

Question 29 – Do you have any comments regarding the potential costs of McCloud remedy, and steps that should be taken to prevent increased costs being passed to local taxpayers?
As the LGPS is a 'balance of cost' arrangement with fixed member contribution rates, the cost of the McCloud remedy will ultimately be met by employers. Many of these employers are councils that are funded by local taxpayers. However, whilst an increase in LGPS liabilities is unavoidable, funds have local control over the pace at which these costs are managed over time. The majority of the costs will fall on employers with a long-term funding horizon and we generally don't expect material changes to contribution rates to arise from application of the remedy. An allowance to meet these potential additional costs was factored into employers' contribution rates that was set following the March 2019 valuation.

The inclusion of McCloud in the national cost management mechanism will reduce, or possibly even wipe out completely, the proposed package of benefit improvements that had been due to take effect from 1 April 2019 in the LGPS in England and Wales.

The administration burden of implementing these proposals will undoubtedly lead to an increase in administration costs and therefore higher charges to the Pension Fund.

Suffolk County Council

Agenda Item 9

Suffolk Pension Board Forward Work Programme

Purpose

The purpose of this forward work programme is to support the Pension Board in promoting and strengthening corporate governance across the Council.

Terms of reference

The terms of reference of the Suffolk Pension Board are:

a) to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
b) to secure compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator
c) to secure the effective and efficient governance and administration of the LGPS for the Suffolk Pension Fund
d) in such other matters as the LGPS regulations may specify
e) to provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest

Meeting date (see Note)	**Date added**	**Subject**	**Short description**	**How is it anticipated the Committee will deal with this issue?**
Friday, 12 March 2021	Added 2 October 2020	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund.	Written Report
	Added 2 October 2020	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets.	Presentation
	Added 11 December 2020	**Suffolk Pension Fund Communications Policy**	**To receive an update on the Communications Policy for the Fund**	**Written Report**
	Added 2 October 2020	Pension Board Risk Register	To review the Pension Board Risk Register.	Written Report
	Added 2 October 2020	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in.	Written Report
	Added 2 October 2020	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Monday, 19 July 2021	**Added 11 December 2020**	**Complaints, Compliments and Administration Performance**	**To receive a report on the complaints and compliments received by the Fund.**	**Written Report**
	Added 11 December 2020	**Suffolk's progress on Pooling of Assets**	**To receive an update on the progress of pooling assets.**	**Presentation**
	Added 11 December 2020	**Board Training Programme**	**To consider the Board's Training programme for the next 12 months.**	**Written Report**
	Added 11 December 2020	**Administration and management expenses**	**To receive a report on the administration and management expenses for 2020/21 and the budget for 2021/22.**	**Written Report**

Meeting date (see Note)	Date added	Subject	Short description	How is it anticipated the Committee will deal with this issue?
Monday, 19 July 2021	**Added 11 December 2020**	**Investment Performance**	**To receive a report on the investment performance of the Fund in 2020/21.**	**Written Report**
	Added 11 December 2020	**Recent Developments**	**To receive an information bulletin covering recent developments that the Board has an interest in.**	**Written Report**
	Added 11 December 2020	**Forward Work Programme**	**To approve the Forward Work Programme for the Suffolk Pension Board.**	**Written Report**
Monday, 27 September 2021	**Added 11 December 2020**	**Complaints, Compliments and Administration Performance**	**To receive a report on the complaints and compliments received by the Fund.**	**Written Report**
	Added 11 December 2020	**Annual Report and Accounts 2020/21**	**To review the annual report and Accounts of the Pension Fund**	**Written Report**
	Added 11 December 2020	**Suffolk's progress on Pooling of Assets**	**To receive an update on the progress of pooling assets.**	**Presentation**
	Added 11 December 2020	**Pension Board Risk Register**	**To review the Pension Board Risk Register.**	**Written Report**
	Added 11 December 2020	**Recent Developments**	**To receive an information bulletin covering recent developments that the Board has an interest in.**	**Written Report**
	Added 11 December 2020	**Forward Work Programme**	**To approve the Forward Work Programme for the Suffolk Pension Board.**	**Written Report**

Note: Additions and amendments to previous Forward Agenda are marked in bold.

If you have any questions or queries, please contact Paul Finbow. Email: paul.finbow@suffolk.gov.uk, Telephone: 01473 265288.

Revised: December 2020

Items for consideration/scheduling:

- A review of the Policies for the Suffolk Pension Fund