# Staff and Pensions Committee

Date: Monday 12 June 2023
Time: 2.00 pm
Venue: Committee Room 2, Shire Hall

**Membership**
Councillor Yousef Dahmash (Chair)
Councillor Bill Gifford
Councillor Brian Hammersley
Councillor Christopher Kettle
Councillor Sarah Millar
Councillor Mandy Tromans

Items on the agenda:


| | | |
|---|---|---|
| **1.** | **General** | |
| | **(1) Apologies** | |
| | **(2) Disclosures of Pecuniary and Non-Pecuniary Interests** | |
| | **(3) Minutes of Previous Meetings**<br>To confirm the minutes of the meetings held on 6 March 2023 and 16 May 2023. | 5 - 12 |
| **2.** | **Appointment of Vice-Chair** | |
| **3.** | **Annual Review Focus on Engaging with Our People** | 13 - 28 |
| **4.** | **Regulatory and Policy Update Report** | 29 - 38 |
| **5.** | **Pensions Administration Activity and Performance Update** | 39 - 48 |
| **6.** | **Pensions Overpayment Policy** | 49 - 60 |
| **7.** | **Warwickshire Pension Fund - Revision of Early Retirement Strain Cost Factors** | 61 - 80 |

**8. Reports Containing Exempt or Confidential Information**
To consider passing the following resolution:

'That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.'

**9. Exempt Minutes of the Previous Meeting** 81 - 82
To confirm the exempt minutes of the meeting held on 6 March 2023.

**Monica Fogarty**
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

**To download papers for this meeting scan here with your camera**

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**Disclosures of Pecuniary and Non-Pecuniary Interests**
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A member attending a meeting where a matter arises in which they have a disclosable pecuniary interest must (unless they have a dispensation):

- Declare the interest if they have not already registered it
- Not participate in any discussion or vote
- Leave the meeting room until the matter has been dealt with
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests relevant to the agenda should be declared at the commencement of the meeting.

The public reports referred to are available on the Warwickshire Web https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1

**COVID-19 Pandemic**
Any member or officer of the Council or any person attending this meeting must inform Democratic Services if within a week of the meeting they discover they have COVID-19 or have been in close proximity to anyone found to have COVID-19.

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# Staff and Pensions Committee

**Monday 6 March 2023**

# Minutes

## Attendance

**Committee Members**
Councillor Andy Jenns (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Brian Hammersley
Councillor Christopher Kettle
Councillor Sarah Millar
Councillor Mandy Tromans

**Officers**
Barnaby Briggs, Assistant Chief Fire Officer
John Cole, Senior Democratic Services Officer
Sarah Duxbury, Assistant Director, Governance and Policy
Andy Felton, Assistant Director, Finance
Liz Firmstone, Service Manager – Transformation
Bal Jacob, Strategic and Commissioning Manager (HROD)
Vicky Jenks, Pensions Administration Delivery Lead
Victoria Moffett, Lead Commissioner – Pensions and Investment
Chris Norton, Strategy and Commissioning Manager – Treasury, Pension, Audit and Risk
Kate Sullivan, Lead Commissioner – Culture, Leadership and Performance

### 1. General

On behalf of the Committee, the Chair welcomed Bal Jacob, who had recently joined the organisation as Strategic and Commissioning Manager (HROD).

#### (1) Apologies

There were no apologies.

#### (2) Disclosures of Pecuniary and Non-Pecuniary Interests

There was none.

#### (3) Minutes of the Previous Meeting

**Resolved:**

That the minutes of the meeting held on 12 December 2022 be approved as a correct record and signed by the Chair.

There were no matters arising.

**2. Our People Strategy Annual Review**

Kate Sullivan (Lead Commissioner – Culture, Leadership and Performance) introduced the report, stating that the refreshed Our People Strategy 2020 – 2025 had been endorsed by the Staff & Pensions Committee and Resources and Fire & Rescue Overview and Scrutiny Committee in December 2020. Since then, the Strategy had been presented annually to both committees for review and to seek endorsement for plans for the year ahead. She directed members' attention to the Our People Annual Review for 2022/23 and Year 3 (2023/25) Plan which showcased activities and performance against organisational priorities for 2022/23 and provided an overview of performance data and key priorities for the coming year. She advised that it was proposed to focus on five priority areas in 2023/24: Recruitment and Retention, Pay and Reward, Strategic Workforce Planning, Equality, Diversity and Inclusion, and Employee Engagement.

Councillor Gifford expressed support for the objectives of the Strategy. He noted that 'Safe to be Authentic Self' would be introduced as a measure of success for 2023/24. He queried how this could tracked by the organisation.

Kate Sullivan advised that it was proposed to monitor 'Safe to be Authentic Self' as a measure of success by means of responses to the Your Say Survey. A baseline of 79% had been calculated by combining relevant responses from the most recent Your Say Survey.

In response to Councillor Millar, Kate Sullivan advised that the Your Say Survey had highlighted concerns relating to rising costs of living. Data from the survey was being analysed to determine an appropriate response.

Sarah Duxbury (Assistant Director, Governance and Policy) highlighted that the Council was bound by the national negotiating framework for pay. However, there were additional ways that the organisation could reward its staff. The benefits of working for Warwickshire County Council were now being more prominently promoted, including within adverts for job vacancies.

In response to Councillor Hammersley, Kate Sullivan advised that temporary agency contracts were required for certain key areas of service delivery, such as social work. However, measures were in place to achieve the right balance without relying unnecessarily on agency staff.

In response to Councillor Millar, Kate Sullivan advised that the trial of the Vivup Highfive platform had shown the advantages of enabling peer to peer recognition. However, take up of the offer was not high. Subsequently, it had been resolved to make use of Microsoft applications which provided a similar functionality at no additional cost to the organisation. The STAR Awards continued to provide opportunities to praise colleagues, enabling individuals and teams to be recognised for making an outstanding contribution.

In response to the Chair, Kate Sullivan advised that the Council had been awarded the Silver Thrive at Work accreditation in Summer 2021 for a period of three years. Work was underway to gather evidence to secure accreditation for an additional three years.

Councillor Millar moved that the recommendation be accepted and was seconded by Councillor Kettle. This was supported unanimously by the Committee.

**Resolved:**

That the Staff and Pensions Committee notes the activity as set out in the 2022/23 Annual Review of Our People Strategy and endorses the 2023/24 Our People Strategy Delivery Plan.

### 3. Business Plan Report

Chris Norton (Strategy and Commissioning Manager – Treasury, Pension, Audit and Risk) introduced this report which set out Warwickshire Pension Fund's Business Plan for 2023/24, including details of governance arrangements and actuarial activities. He highlighted the addition of 'Sustainability' as a theme of the Action Plan for 2023/24, recognising the focus on climate risk. He advised that the Fund's membership had continued to increase. This trend was projected to continue. The number of employers had also increased. He highlighted the additional demand that this placed on the Fund.

Chris Norton highlighted coverage in the report of key activities including the Member Self Service (MSS) scheme and Pensions Dashboard initiative. He advised that Workforce Planning continued to occupy an important part of the Business Plan to promote staff retention and maintain resilience. He highlighted the 38 actions listed within Appendix C of the report. A quarterly update of progress against these priorities would be provided to the Local Pension Board during the year ahead.

In response to Councillor Hammersley, Chris Norton advised that i-Connect had proved to be an asset for academies joining the Fund, particularly those that did not have a large back-office staff.

In response to the Chair, members agreed to approve the recommendation of the report.

**Resolved:**

That the Staff and Pensions Committee notes and approves the Business Plan for 2023/24 as attached at Appendix 1 of the report.

### 4. Pensions Administration Activity and Performance Update

Vicky Jenks (Pensions Administration Delivery Lead) introduced the report which outlined key developments affecting pensions administration and the performance of the Pensions Administration Service (PAS). She reported that work to promote the Member Self Service (MSS) platform was ongoing. Take up of MSS had increased since the last update to the Committee and efforts were being made to further encourage members of the pension scheme to make use of the system. The report provided a commentary of performance against Key Performance Indicators (KPIs), improvements had been made against KPIs that were below target. She advised that workloads for the PAS had increased. It was proposed to make use of automation for basic tasks which would alleviate pressure on the team.

Vicky Jenks advised that use of the i-Connect system had helped to reduce the number of breaches. Employers had demonstrated a good record of supplying information in a timely way. Where breaches had occurred, it had been possible to resolve issues without difficulty. She reported that employers had been notified of changes to contribution rates which would come into effect from 1 April 2023. A consultation on the Funding Strategy Statement (FSS) had also been completed. She highlighted commentary in the report relating to engagement with academies to clarify the Fund's expectations in circumstances when academies outsourced contracts. She advised that due to technical considerations, the Department for Work and Pensions had resolved to postpone the deadline for local government pension schemes to connect to the national Pensions Dashboard. This would provide additional time to complete the work that was required.

In response to Councillor Hammersley, Vicky Jenks advised that pensioners had been notified that paper payslips would be discontinued on 30 May 2023. After this point, if there was a change to the amount being paid or a change to the tax code, a letter would be sent to notify the individual. It was hoped that more pensioners would choose to opt into the MSS scheme to allow e-payslips to be issued. She highlighted the environmental and cost-saving benefits of MSS. It was acknowledged that some pensioners would not be able to access their payslip electronically. Requests to receive a paper payslip would be assessed on a case-by-case basis.

In response to Councillor Millar, Vicky Jenks advised that work was ongoing to identify the barriers to take up of MSS and ways to increase engagement.

In response to Councillor Kettle, Vicky Jenks advised that the PAS continued to monitor workloads to ensure that it was adequately resourced to respond to increased demand. She advised that most new employers joining the Fund were academies. This was a relatively straightforward process. However, handling arrangements for academy's contractors was more resource intensive.

**Resolved:**

That the Staff and Pensions Committee notes the content of the report.

## 5. Regulatory and Policy Update

Vicky Jenks (Pensions Administration Delivery Lead) introduced this report which provided a summary of recently reviewed Pension Fund policies and gave an update on regulatory developments in the pensions arena. She advised that the Fund had reviewed its Bribery and Fraud Policy, it was not considered that any amendments were currently required. The Fund was in the process of reviewing its Internal Dispute Resolution Procedure as part of the planned review cycle. No material changes were anticipated. She advised that it had been resolved to postpone the proposed review of governance processes until after the Scheme Advisory Board (SAB) has released the findings of its Good Governance Review. However, preparatory work had been undertaken.

In response to Councillor Hammersley, Vicky Jenks advised that the Bribery and Fraud policy would continue to be monitored.

**Resolved:**

That the Staff and Pensions Committee notes the updates contained within the Report.

## 6. Employers Joining and Leaving the Warwickshire Pension Fund

**Resolved:**

That the Staff and Pensions Committee delegates authority to the Strategic Director for Resources to approve applications from the listed employers subject to the applications meeting the criteria required for admission:

- Newbold And Treddington CofE Primary School, which entered the Fosse Multi-Academy Trust on 1 November 2022.

## 7. Review of the Minutes of the Warwickshire Local Fire Pension Board Meeting of 7 November 2022

The minutes of the Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme meeting of 7 November 2022 were noted.

## 8. Reports Containing Exempt or Confidential Information

**Resolved:**

That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

## 9. Warwickshire Pension Fund Business Continuity Plan

The Committee held a confidential discussion.

## 10. Exempt Minutes of the Previous Meeting

**Resolved:**

That the exempt minutes of the meeting held on 12 December 2022 be approved as a correct record and signed by the Chair.

There were no matters arising.

## 11. Future Meeting Dates

Members noted the dates of future meetings.

The meeting rose at 14:48.

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Chair

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# Staff and Pensions Committee

**Tuesday 16 May 2023**

# Minutes

## Attendance

**Committee Members**
Councillor Yousef Dahmash (Chair)
Councillor Bill Gifford
Councillor Brian Hammersley
Councillor Christopher Kettle
Councillor Sarah Millar
Councillor Mandy Tromans

**The Chair of Council opened the meeting.**

1. **General**

**(1) Apologies**

There was none.

**(2) Disclosures of Pecuniary and Non-Pecuniary Interests**

There was none.

2. **Appointment of Chair**

Councillor Christopher Kettle proposed that Councillor Yousef Dahmash be Chair of the Committee and was seconded by Councillor Brian Hammersley.

There were no other nominations.

**Resolved:**

That Councillor Yousef Dahmash be appointed Chair of the Staff and Pensions Committee for the ensuing municipal year.

3. **Appointment of Vice Chair**

Appointment of a Vice Chair will be determined at the Committee's meeting on 12 June 2023.

### 4. Appointments to Sub-Committees/Bodies

The Chair moved that the relevant appointments as set out in Appendix 1 of the 'Appointments to Committees and Other Bodies' report to full Council be approved.

This was seconded by Councillor Bill Gifford.

**Resolved:**

That the appointments be approved as set out below:

**Pension Fund Investment Sub-Committee:**

Councillors Bill Gifford, Brian Hammersley, Christopher Kettle, Sarah Millar, and Mandy Tromans.

**Appointments and Staff Appeals Sub-Committees – Pool of Members:**

Conservative: Councillors Margaret Bell, Parminder Singh Birdi, Peter Butlin, Jeff Clarke, John Cooke, Andy Crump, Yousef Dahmash, Piers Daniell, Brian Hammersley, Dave Humphreys, Andy Jenns, Kam Kaur, Justin Kerridge, Jan Matecki, Jeff Morgan, Penny-Anne O'Donnell, Wallace Redford, Izzi Seccombe, Jill Simpson-Vince, Mejar Singh, Heather Timms, Mandy Tromans, Adrian Warwick, and Martin Watson.

Labour: Councillors Barbara Brown, Jackie D'Arcy, Sarah Feeney, John Holland, Sarah Millar, and Caroline Phillips.

Liberal Democrat: Councillors Sarah Boad, Bill Gifford, Kate Rolfe, and Jerry Roodhouse.

Green: Councillor Tracey Drew.

The meeting rose at 11:43

………..…………………
Chair

Agenda Item 3

# Staff and Pensions Committee

## 12 June 2023

## Engaging with Our People
## Annual Review 2022/2023

### Recommendation

That the Committee notes the Annual Review of engagement activity for 2022/2023 and endorses the future activity.

### 1.0 Introduction

1.1 Following the introduction of our new approach to engagement, which was launched last year, the Annual Review – Focus on Engaging Our People (attached as Appendix 1) reports the employee engagement activity over the last 12 months and outlines:

a) The key achievements
b) Areas for development
c) Focus on Equality, Diversity and Inclusion
d) Focus for 2023 / 2024

1.2 This report pulls out the main themes from the Annual Review for consideration by the Committee.

### 2.0 Engaging with our People; at a glance:

2.1 We launched our refreshed approach to Your Say (our online staff survey tool), including our refreshed bank of survey questions, with 3 touch points throughout the year, including two surveys and 13 interactive 'BIG Conversations' hosted individually by our ADs.

2.2 We extended our YourSay results down to fourth tier managers, so that teams and managers can see their results, discuss and take action.

2.3 Response rates for our surveys increased to 40% in July and 43% in February. 12% of colleagues attended one of our BIG Conversations.

2.4 Our key business measure (KBM) and indicator (KBI) statements remained consistent, with between a +5% and -8% change and all encouragingly scoring over 75%.

2.5 Employee engagement improved by 2%from the previous year to 76%, which aligns with our 2020 measure, and our highest score in recent years.

2.6 Our focus for 2022/2023 has been workload with 77% of colleagues agreeing that they are able to achieve a good balance between work and personal life and an in year increase from 62% to 64% of colleagues agreeing that they have a manageable workload. This will remain a focus for 2023/24.

2.7 Our highest scoring statement was ‘I am able to take responsibility for my own performance’ which resulted in 92% agreement.

2.8 Our lowest scoring statement was ‘I believe action will be taken as a result of the Your Say Survey’, generating 50% and 42% agreement in July and February respectively. This statement scored 25% in 2019 and 47% in 2021.

2.9 We have asked a new set of questions regarding equality, diversity and inclusion, and our people’s understanding of why we collect diversity data saw agreement from 68% of colleagues. There is still progress to make but this is a really positive step change and thanks to the success of the Data Confidence Campaign, which will continue in 2023. However, our lowest engaged colleagues do not answer or select ‘Prefer not to say’ on the protected characteristic statements which is an area that we will continue to target.

2.10 Our BIG Conversations were focussed on workload and drew out a number of themes that have been explored by Senior Leaders and we have learnt that positive wellbeing and effective use of technology are vital to managing workload.

2.11 We will continue our refreshed approach to engagement, which supports the Say, Stay, Thrive model and will continue to see touch points throughout the year using our channels of engagement.

2.12 The priority for 2023/2024 will be to maintain participation in Your Say activity, gain health insight to support out wellbeing offer and to focus on workload, as well as supporting teams to take action locally and encouraging regular and open conversations.

2.13 Separately, a project is being undertaken for our community based and ‘offline’ colleagues, to increase their representations and participation in the Your Say engagement activity.

## 3.0 Conclusions

3.1 It has been a successful year in terms of listening to the voice of our people and our engagement surveys have shown that in the main our people who complete the surveys are positive about working for Warwickshire, which is particularly pleasing when we consider the wider national context, particularly with economic and public sector recruitment and retention challenges.

3.2 The key business measures that are measured through the colleague surveys have all scored above 75%.

3.3 We have successfully launched our new YourSay engagement approach down to Tier 4A teams, with new branding, communication and intranet resources, while gathering new benchmark data that will allow us to better track performance moving forward and is aligned to Our People Strategy.

3.4 Our work is now focused on:

a) Seeking improvements to priority areas, particularly in people feeling that action is taken as a result of their feedback.

b) Workload and wellbeing.

c) Maintaining and increasing response rates, to ensure we hear the voices of all our people.

## Appendices

Appendix 1 - Our People focus on Engaging with Our People Annual Review 2022/2023

## Background Papers

None

| | Name | Contact details |
|---|---|---|
| **Report Author** | Kate Sullivan, Lead Commissioner Culture, Leadership and Performance | katesullivan@warwickshire.gov.uk |
| **Assistant Director** | Sarah Duxbury, Assistant Director of Governance & Policy | sarahduxbury@warwickshire.gov.uk |
| **Strategic Director** | Rob Powell, Strategic Director for Resources | robpowell@warwickshire.gov.uk |
| **Portfolio Holder** | Councillor Yousef Dahmash, Portfolio Holder for Customer and Transformation | yousefdahmash@warwickshire.gov.uk |

The report was circulated to the following members prior to publication:

Not applicable.

# OUR PEOPLE

## Focus on Engaging with Our People

Annual Review **2023/2024**

***At Warwickshire we will listen, learn and act to create an inclusive organisation***

# Our People Strategy
## Warwickshire's Story

### Message from Monica Fogarty, Chief Executive

Listening and responding to our people, remains a priority for Warwickshire. It is crucial that we do so in order to support our vision that Warwickshire is a great place to work, where diverse and talented people are enabled to be their best. We understand that everyone has their own experiences, their own stories, and it's important that we take the time to listen to these to help create the best possible experience for our colleagues.

It is also really important that we do more than listen. We must also take action in response to what we are told, and therefore a key focus in the year ahead will be to target action where it is most needed. We need to show the action we've taken and see more of our people feeling that action has resulted from their feedback.

This year we have also heard that workload is a particular concern for many of our people. To understand the challenges better our Assistant Directors held a series of Big Conversations, where workload was a key focus. Since then, we have seen an improvement in feedback that workloads are manageable, but we know that this is not for everyone. So, we will continue these discussions into next year and find ways to support our people to maintain a healthy work-life balance.

We were delighted to see an improvement in the response rates to our engagement activity. But we want to hear the voices of as many people as possible, and so over the next year we will be exploring with teams, particularly those that are customer facing, the barriers to completing the survey in order to encourage greater participation in future.

We want all of our people to feel that their experiences are listened to and understood and that all of our leaders are enabled and supported to make positive changes.

Please do make your voice heard.

# At a glance

YOUR SAY!

- We launched our refreshed approach to Your Say, including our bank of survey questions, with three touch points throughout the year, including two surveys and 13 interactive 'BIG Conversations' hosted individually by our Assistant Directors.

**Response rates** Increased to 40% in July and 43% in February. 12% of colleagues attended one of our BIG Conversations.

**Key Measures**
Our KBM and KBI statements remained consistent, with between a +5% and -8% change and all encouragingly scoring over 75%.

**Employee engagement**
Improvement of 2% from the previous year to 76%, which aligns with our 2020 measure, and our highest score in recent years.

- We extended our YourSay results down to fourth tier managers, so that teams and managers can see their results, discuss and take action.
- Our focus for 2022/2023 has been workload with 77% of colleagues agreeing that they are able to achieve a good balance between work and personal life and an in year increase from 62% to 64% of colleagues agreeing that they have a manageable workload. This will remain a focus for 2023/24.
- Our highest scoring statement was 'I am able to take responsibility for my own performance' which resulted in 92% agreement.
- Our lowest scoring statement was 'I believe action will be taken as a result of the Your Say Survey', generating 50% and 42% agreement in July and February respectively. This statement scored 25% in 2019 and 47% in 2021.
- We have asked a new set of questions regarding equality, diversity and inclusion, and our people's understanding of why we collect diversity data saw agreement from 68% of colleagues. There is still progress to make but this is a really positive step change and thanks to the success of the Data Confidence Campaign, which will continue in 2023. However our lowest engaged colleagues do not answer or select 'Prefer not to say' on the protected characteristic statements which is an area that we will continue to target.
- Our BIG Conversations were focussed on workload and drew out a number of themes that have been explored by Senior Leaders and we have learnt that positive wellbeing and effective use of technology are vital to managing workload.
- We will continue our refreshed approach to engagement, which supports the Say, Stay, Thrive model and will continue to see touch points throughout the year using our channels of engagement.
- The priority for 2023/2024 will be to maintain participation in Your Say activity, gain health insight to support out wellbeing offer and to focus on workload, as well as supporting teams to take action locally and encouraging regular and open conversations.
- Separately, a project is being undertaken for our community based and 'offline' colleagues, to increase their representations and participation in the Your Say

## Outcome for 2023/2024

*The experiences of our people are listened to and understood across the whole organisation and leaders are enabled and supported to make positive changes...*

# Focus on Our People Strategy


Through the later end of 2020, the council refreshed its Our People Strategy, to drive through the vision of Warwickshire County Council, a great place to work where diverse and talented people are enabled to be their best.

**Embodying our Values and Behaviours, the Our People Strategy is built on 6 building blocks:**

## Our behaviours

Our behaviours were first introduced in 2016 and these haven't changed. Our behaviours frame how we should behave at work. They help us to understand how we should go about our work and the way we should interact with each other and our customers.


## Our values - the Warwickshire DNA

**To support the achievement of our vision, five key organisational values have been identified:**

High performing | Collaborative | Customer focused | Accountable | Trustworthy

## Our People Strategy building blocks

The building blocks provide the foundation for the delivery of Our People Strategy vision. We have identified six key building blocks.
For each building block we have a clear set of outcomes we need to achieve so that we can fulfill our vision and transform as an organisation in a way which is sustainable.

Best Warwickshire

# Looking Back - Focus for 2022/2023

**Employee engagement continues to be a priority under Our People Strategy and the focus on work has included:**

- **Continued regular focused check ins:**
  - **Summer**– Your Say Survey - engagement, wellbeing EDI and workload
  - **Autumn** – Big Conversations - workload
  - **Winter**– Engagement Survery - leadership, internal comms and workload
- **Increasing participation rates**
- **Fostering trust**
- **Providing results at fourth tier management team level**
- **Celebrating action taken in response to the results**

## Measuring Success

For 2022/2023 the following Key Business Measures and Indicators are taken from the survey:

**76% Employee Engagement**

**81% Leaders & managers driving a high- performance culture**

**78% agree with wellbeing indicators**

**80% 'Proud to work for WCC'**

**79% Internal communications keep me upated on what is happening**

**79% 'Safe to be authentic self'**

- The refocussed approach to engagement was launched in June including a new approach to the questions we ask. As a result for this year, we do not have trend data for all the questions.
- Our dashboards provide all our people with access to the results down to Tier 4A team level, so colleagues and teams are able to discuss and agree actions on the results.
- Our Key Business Measures all achieved over 75% agreement.
- Having refreshed our approach to engagement, many of our statements are new, so we have been setting the benchmark for future years, however where we are able to measure against previous year's results we found:

**Most improved areas:**

"I am proud to work here" -80% — 4%

"I am able to achieve a good balance between my work & personal life" - 70% — 4%

**Continuing upward trend**

"My immediate manager is a role model for WCC 'Our Behaviours" - 82%

2020 73%
2021 81%
2022 81%

**Development areas from previous year**

"I feel valued" – 73%

"I feel Recognised" – 68%

Combined previous score 66%

**Highest scoring questions**

"I am able to take responsibility for my own performance – 92%

"I understand how my role contributes to the success of my service" – 91%

"I understand how my service contributes to the success of the organisation" 89%

**As a result of the feedback received the following actions have been taken:**

- SLF sessions exploring the BIG Conversation data and equipping leaders to take action in their area.
- Commissioned sessions for colleagues to improve workload with 270 colleagues / 5% attendance across organisation.
- Further developed the Agile Working Approach to enable our people to work in a way that enables them to be their best.

**Our BIG Conversations provided an opportunity for Assistant Directors to have facilitated discussions regarding workload and:**

- Drew out the following themes: The way we work, including technology; recruitment and retention; setting priorities & realistic timescales; leadership; doing more with less, including processes & governance; managing increasing demand without increasing costs or workloads.
- We have learnt what is vital to managing workload is positive wellbeing and effective use of technology, both proactively and reactively.
- Themes on high workload root causes are related to increasing demand on services, our ability to recruit, our resources and our behaviour and culture organisationally and locally in teams.

- **The following actions are planned to take place over the coming months:**
  - Support areas with low engagement scores to look at ways of increasing engagement, through designing and delivering bespoke team development solutions.
  - Understand best practice through listening groups to support all teams.
  - Develop a team toolkit on workload to support ongoing conversations.
  - Review areas with high engagement scores to understand and share best practice.
- Managers and leaders are also expected to take action as a result of the surveys and are provided with tools and resources to support them in doing so.
- Gaining our Silver Inclusive Employers award demonstrates our commitment to equality, diversity and inclusion.

WE ACHIEVED...
Inclusive Employers Standard
Silver
Accreditation 2022

## Areas for development

- Whilst the response rate has increased from 30% to 43% since last year, there are still more than half of our workforce who do not complete the survey, and we wish to continue to strive to hear the voice of as many people as possible.
- Again many of our questions were new, and therefore comparison to previous years is not available, however for the questions that remained the same, the following questions saw:

### Largest decline

"Our internal communications keep me updated on what's 8% happening" – 79% — 8%

"I believe that action will be taken as a result of the 6% Your Say activity" – 44% — 6%

### Lowest scoring questions

I believe that action will be taken as a result of the check in survey" (50% in July, 47% in 2021) — 44%

"I have a manageable workload" (62% in July) — 64%

I believe the actions from senior leaders are consistent with our priorities" (new question) — 63%

"I am able to prioritise my wellbeing" (new question) — 63%

Best Warwickshire

# Equality, Diversity and Inclusion (EDI)

Our EDI vision, **'Warwickshire County Council, a place where everyone feels valued, included, safe, supported and welcome'**, places our approach to inclusivity at the heart of everything we do. As part of measuring our success, there are a number of EDI specific questions that we now ask as part of the Your Say survey, for which this year we have set the benchmark for comparison in future years.

I feel a strong sense of belonging
**66%**

I feel safe to be my authentic self
**79%**

I feel comfortable talking about my background identity...
**80%**

I am included within my team
**83%**

I understand how my diversity date is used...
**68%**

I am able to acess promotion & development opportunities no matter my identity
**65%**

Alongside our YourSay questions, we also asked for diversity data, which allows us to compare our findings against protected characteristic categories. What we have found is that, across all statements, the percentage of agreement ('Agree' or 'Strongly Agree') is lowest for respondents stating, 'prefer not to say' or 'not answered'. This is the same finding we saw from the 20/21 Your Say activity. An example of this is in terms of gender.

Characteristic

| Other (including non-binary and genderfluid identities) | Agreement Score |
|---|---|
| Male | 86% |
| Female | 79% |
| Not Answered | 78% |
| Prefer not to say | 62% |
| **Total** | 54% |
| 'Other' is under 1% of total respondents. | 75% |

**The Council's EDI group has reviewed the results and concluded, with actions being progressed within the EDI action plan:**

- The results indicate that recruitment and promotion is something we should look at in terms of disability and age. The Hidden Disabilities membership and its promotion is a priority for 2023.
- There is a high level of agreement for fitting in and feeling supported across all demographics.
- 68% of colleagues who completed the survey said that they understand why we collect diversity data; this is a huge change from 2020 when people refused to complete the Check In surveys because of this. This is thanks to the success of the Data Confidence Campaign, and this will continue in 2023/24.
- People declaring Prefer Not to Say again scored lower for all wellbeing questions, suggesting a lack of trust in the organisation is linked to lower wellbeing. Our staff networks to widen their reach, to involve colleagues who are not currently engaged with the work of the network.

# Looking Forward - Focus for 2023/2024

- **Continue our focus for 2023/2024 on workload management**
- **Seek improvements by gaining greater understanding and taking action against the following priority areas**
  - People believing that action will be taken as a result of the feedback received.
  - People feeling recognised.
  - People feel that actions by senior leaders are consistent with our priorities
- **Continue to undertake work to increase our response rate, actions will include:**
  - Working with our community teams, and developing creative ways for their voice to be heard.
  - Target teams whose response rate is below 50% and discuss way to encourage completion.
  - Continue to reinforce that we are listening and taking action.
  - Ensure that leaders are looking at response and engagement results as part of the performance framework, to target action and increase participation.
- **Understand the health needs of the organisation and put actions in place to support the wellbeing of our people, as we prepare to apply for Thrive at Work Silver Accreditation.**
- **Provide data insight into our Key Business Measures and Indicators, through our Your Say activity.**

## Conclusions

- It has been a successful year in terms of listening to the voice of our people and our engagement surveys have shown that in the main our people who complete the surveys are positive about working for Warwickshire, which is particularly pleasing when we consider the wider national context, particularly with economic and public sector recruitment and retention challenges.
- The key business measures that are measured through the colleague surveys have all scored above 75%.
- We have successfully launched our new Your Say engagement approach down to Tier 4A teams, with new branding, communication and intranet resources while gathering new benchmark data that will allow us to better track performance moving forward and is aligned to Our People Strategy.
- **Our work is now focussed on:**
  - Workload and wellbeing
  - Seeking improvements to priority areas
  - Maintaining and increasing response rates, to ensure we hear the voices of all our people

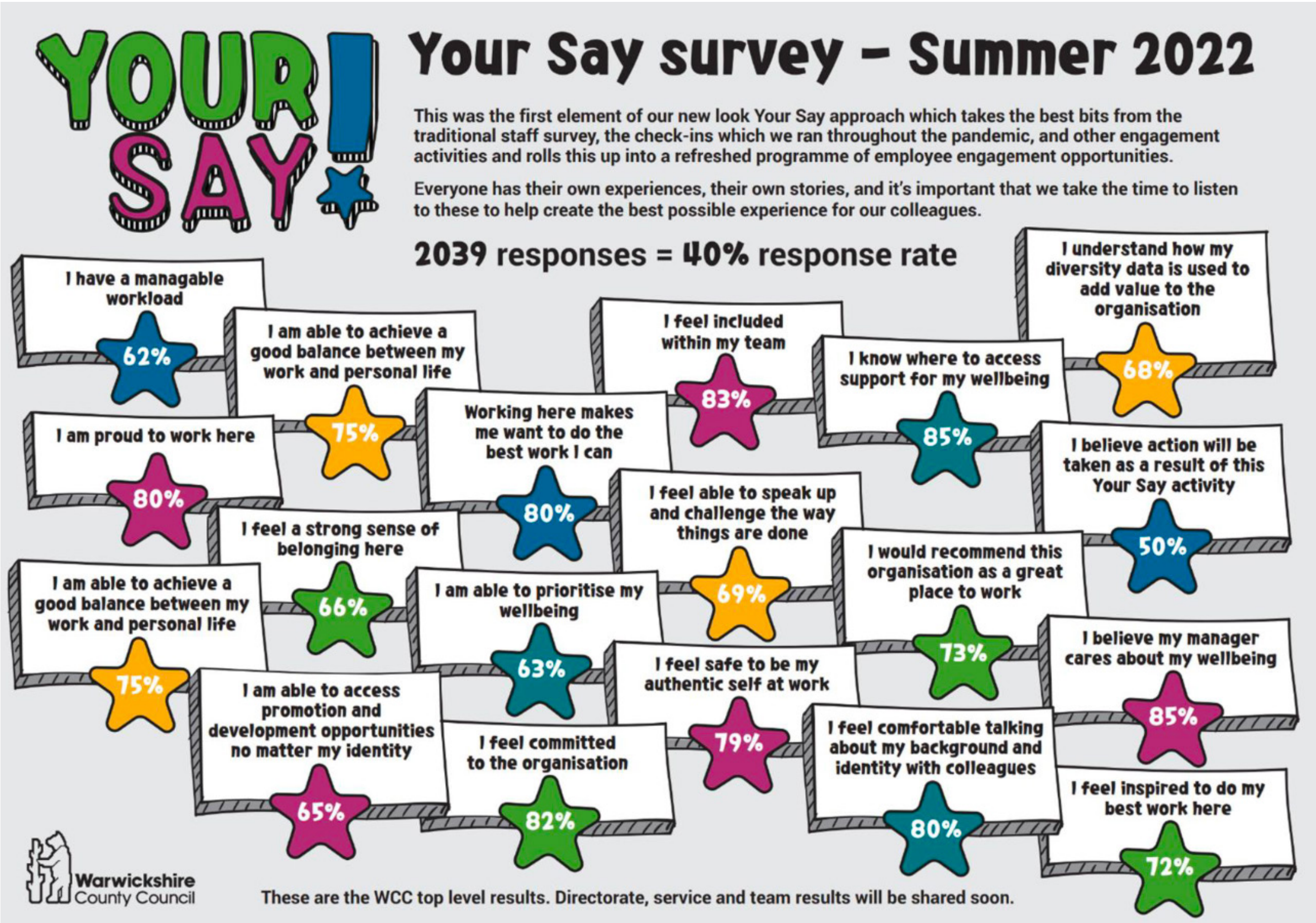
## Further information

Links to further information and resources supporting our employee engagement approach.

**WCC results can be found on the dashboard for both July and February Your Say surveys.**

**A full report and analysis on the BIG Conversations can be found here.**

**Further resources and information can be found on our dedicated intranet page.**



# "Your Big Conversation"

Hosted by our Assistant Directors Your Big Conversations form part of our Your Say approach and took place during October and November 2022. The focus of these sessions was workload.
**Thank you to everyone who attended and participated.**

- **13** Sessions
- **787** Places booked
- **598** Attended
- **517** Menti participants
- **20** Hours of conversation

## What you told us

### What is taking your time?

1. Meetings
2. Responding to emails
3. Unable to contact colleagues/chasing replies
4. Managing people
5. Identifying information and data quality

### What might make my workload more manageable?

1. Efficient processes
2. Realistic timescales
3. Demand management
4. Supportive leadership
5. Stronger organisation skills

### What really matters to your customers?

1. Timely delivery
2. Feeling listened to/respected professionally
3. Honesty and reliability
4. Quality service delivery and support
5. Reporting accurately and accountability

### What gets in the way of doing the things that matter to your customers?

1. Demand management/workload
2. Lack of resources/staffing
3. Unclear processes, lack of direction and decision making
4. Time and capacity
5. Bureaucracy and governance

### What could leaders do to create a manageable workload in this environment?

1. Consider impact of resource and more staff
2. Clear priorities and vision
3. Managing workload
4. Consider redesign of systems and processes
5. Improve engagement and communication

### What's next?

- Discussion of workload themes at Senior Leadership Forum
- Continuing communication around employee engagement
- Your Say survey in early 2023

Warwickshire County Council

# Your Say!

## Your Say survey – Winter 2023

The winter survey was final element of our Your Say approach for 2022/23.

Our Your Say approach takes the best bits from the colleague staff survey, the check ins we ran throughout the pandemic, our Big Conversation sessions and rolls this up into a programme of employee engagement activities.

Everyone has their own experiences, their own stories, and it's important that we take the time to listen to these to help create the best possible experience for our colleagues.

**2181 responses = 43% response rate**

- I am able to achieve a good balance between my work and personal life – 78%
- I belive that senior leaders have a clear vision for the organisation – 66%
- I feel recognised for my work – 68%
- Senior leaders in the organisation are visible – 69%
- My manager is a role model of the WCC behaviours – 82%
- Overall, I have confidence in the decisions made by our leaders – 65%
- I have a manageable workload – 64%
- My manager communicates clear priorities with my workload – 78%
- My manager positively supports my workload management – 81%
- I believe the actions of senior leaders are consistent with our priorities – 63%
- My manager sets realistic timescale for work – 78%
- I have a regular conversations with my manager – 85%
- I feel valued at work – 73%
- The conversations with mymanager support me to be my best – 77%
- I receive regular feeback on my performance – 69%
- I know what I need to do to be successful in my role – 85%
- I believe action has been taken as a result of the Your Say activity – 44%
- I understand how my service contributes to the success of the organisation – 89%
- I am able to take responsibility for my own performance – 92%
- I understand how my role contributes to the success of my service – 91%
- Our internal communications keep me updated on what is happening – 79%

Warwickshire County Council

These are the WCC top level results. Directorate, service and team results will be shared soon.

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# Staff and Pensions Committee

## 12 June 2023

# Policy and Regulatory Update Report

### Recommendations

That the Staff and Pensions Committee:

1. Notes and comments on the updates contained in this Report, and.
2. Approves the new Data Retention Policy drawn up for the Warwickshire Pension Fund attached at Appendix 1.

## 1. Executive Summary

1.1 This Report confirms the findings of the annual review of Pension Fund policies. Any significant changes recommended to any policy are confirmed in the body of this report.

1.2 This Report also provides a regulatory update of issues that have arisen in the Local Government Pension Scheme (LGPS) arena in the last quarter.

## 2. Financial Implications

2.1 There are no financial implications arising directly from this report.

## 3. Environmental Implications

3.1 There are no environmental implications arising directly from this Report.

## 4. Supporting Information

***Review of Policy and Process***

4.1 Fund Officers have reviewed both the Breaches and Communication Policies and have concluded that no amendments were required at this time.

4.2 It is important that members of the fund are confident that we collect and use their data safely and compliantly. This includes ensuring that data is disposed of safely when no longer required. Fund Officers have therefore reviewed processes and created a 'Data Retention Policy' (Appendix 1) that distils our current best practice into a single document. Officers ask that this be approved by the Committee. The approach and measures detailed within the Policy have always been followed but were not formally recorded. This draft Policy documents the Fund's practices within a written document.

4.3 The LGA also commissioned a data retention policy template which we will encourage employers to use and display on their websites, if they approach the Warwickshire Pension Fund for any guidance. The document sets out what data they should keep for members of the LGPS and for how long.

***Regulatory Updates since March 2023***

**Single Code of Practice**

4.4 The Pension Regulator (TPR) first published a draft version of the Single/General Code of Practice as part of its consultation in March 2021. The purpose of the draft being to bring together 10 of the existing separate 15 Codes of Practice. The Regulator has recently confirmed that the new Code is likely to be published in early June. Upon publication Officers will ensure that the Fund is compliant with the requirements.

**McCloud Remedy**

4.5 Following consideration of consultation responses, the government has confirmed the steps it will be taking to resolve the issues raised by the McCloud judgement in respect of the LGPS (England and Wales). As the Committee will recall, the Local Government Pension Scheme in England and Wales (LGPS) was reformed in 2014 as part of a wider project by the government to review and reform the pensions terms of public sector workers. In the 20 years prior to the reforms, the cost of public service pension schemes had significantly increased, with most of the increased costs falling on the taxpayer. The reforms were intended to ensure greater fairness between lower and higher earners, and the future sustainability and affordability of the scheme. In 2014, the new LGPS with a career average design, an increased normal pension age linked to a member's state pension age and the introduction of a cost control mechanism was introduced

4.6 As part of the reforms, and following negotiations with member representatives, transitional protections were provided to members closest to retirement to provide those members with greater certainty. Transitional protection was challenged by younger members of the firefighters and judicial pension schemes and, in 2018, the Court of Appeal held, in the case known as 'McCloud', that the arrangements gave rise to unlawful discrimination in those schemes. Following that judgment, the government accepted that the Court's judgment had implications for all public service pension schemes which included similar transitional protections, including the LGPS. The steps now in place will address this discrimination and the Fund will work to address this, although only a relatively small number of members are expected to be affected.

**Pension Changes in the Spring Budget**

4.7 In the Spring budget, the Chancellor announced significant changes to pensions taxation. These included:

- Increase the annual allowance (AA) from £40,000 to £60,000
- Increase the Money Purchase AA from £4,000 to £10,000
- Increase the income level for the tapered AA to apply from £240,000 to £260,000
- Ensure that nobody will face a Lifetime allowance (LTA) charge from April 2023

4.8 The Pension Administration Team have introduced new processes and have communicated these changes to members that will be affected.

**SCAPE**

4.9 On the 30 March 2023, the superannuation contributions adjusted for past experience (SCAPE) discount rate was reduced. As a result, the Department for Levelling Up, Housing and Communities confirmed the following calculations should be immediately suspended until new factors are issued:

- certain non-club transfers and interfund / interfund calculations
- certain non-club cash transfer sums
- all cash equivalent values (C E V) for divorce

4.10 The Pension Team will suspend any calculations that would be affected, until the new factors are available.

**Pensions Dashboard**

4.11 The DWP have announced there will be a delay to the Pension Dashboard Programme while they meet the challenges in developing the digital architecture. An update is expected before the summer recess.

**Pensions (Extension of Automatic Enrolment) (No2) Bill**

4.12 The Pensions (Extension of Automatic Enrolment) (No 2) Bill was introduced as a Private Members' Bill on 27 February 2023. Since then, the Bill has passed through its second reading.

4.13 The Bill seeks to amend the current Pensions Act 2008 to allow the Secretary of State to make regulations that would lower the age for auto enrolment to 18 from the current age of 22. The Bill also seeks to allow the introduction of regulations to lower the earnings limit so that pension contributions can be made from the first pound rather than at the current minimum earnings threshold. This follows concerns that currently 12.5 million people are estimated to be under-saving for retirement. The changes would allow young people and low earners to start contributing to their pension earlier and without threshold limitations. Most staff will find that they are automatically admitted to the LGPS, Employers will need to ensure they are applying the correct auto enrolment rules to employees. Auto-enrolment is the responsibility of Employers not the Pension Fund.

## 5. Timescales associated with the decision and next steps

5.1 There are no timescales associated with this Report.

## Appendices

Appendix 1 – Data Retention Policy

| | **Name** | **Contact Information** |
|---|---|---|
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The report was circulated to the following members prior to publication:

Local Member(s): Councillors Yousef Dahmash and Bill Gifford
Other members: N.A

# Personal data retention policy

WARWICKSHIRE

pension fund

Date Issue: 2023 V1

Team: Warwickshire Pension Fund

Protective Marking: Public

# Personal data retention policy

This policy has been prepared by Warwickshire County Council as the 'administering authority' of the Warwickshire Pension Fund to set out the Fund's policy on the retention of personal data.

This policy should be read in conjunction with the Fund’s privacy notice.

As data controllers, we are required by legislation to comply with the principles of data minimisation and storage limitation. Personal data we process must:

- be adequate, relevant and limited to what is necessary in relation to the purposes for which it is processed

- not be kept in a form which permits identification of a data subject for longer than is necessary for the purposes for which the personal data is processed

We are obliged to retain certain records (whether in hard copy or electronic form) for various periods of time because:

- we have a statutory obligation to do so

  and/or

- the information contained in those records may be necessary for the future (for example, questions may arise about the calculation of benefits paid in the past, and data that may be relevant to a possible legal claim needs to be kept until the period within which that claim could be brought has expired)

This policy sets out the measures adopted by the Fund to comply with the principles of data minimisation and storage limitation in relation to personal data that it holds.

# Types of personal data we hold

We hold and process the following types of personal data in relation to members of the Fund:

- contact details including name, address, telephone numbers and email address
- identifying details including date of birth, national insurance number and employee and membership numbers
- information that is used to calculate and assess eligibility for benefits, for example, length of service or membership and salary information
- financial information relevant to the calculation or payment of benefits, for example, bank account and tax details
- information about the member's family, dependents or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death
- information about the member's health, for example, to assess eligibility for benefits payable on ill health, or where the member's health is relevant to a claim for benefits following the death of a member of the Fund
- information about a criminal conviction if this has resulted in the member owing money to the member's employer or the Fund and the employer or Fund may be reimbursed from the member's benefits

# Retention periods for personal data

In compiling this policy, we have considered the guidelines on the retention of personal data as set out by or in:

- Information and Records Management Society
- The National Archives
- HMRC compliance handbook manual CH15400
- Lord Chancellor's Code of Practice on the Management of Records issued under Section 46 of the Freedom of Information Act 2000
- ICO's retention policy
- EU Article 29 working party guidance
- The Pension Regulator's code of practice 14 for public service pension schemes

Data protection legislation requires that we retain personal data for no longer than is necessary in order to fulfil the purpose(s) for which it is processed. Given the long-term nature of pensions, we need to ensure that personal data is retained to:

- comply with our legal and regulatory obligations regarding the payment of pensions from the Fund
- deal with any questions or complaints that we may receive about our administration of the Fund
- comply with our legal and regulatory obligations regarding the payment of pensions from the Fund
- deal with any questions or complaints that we may receive about our administration of the Fund

Personal data will be retained for the greater of:

- such period as the member (or any beneficiary who receives benefits after the member's death) are entitled to benefits from the Fund and for a period of 15 years after those benefits stop being paid
- 100 years from the member's date of birth
- 100 years from the date of birth of any beneficiary who received benefits from the Fund after the member's death

During any period when we retain personal data, we will keep that personal data up to date and take all reasonable steps to ensure that inaccurate data is either erased or rectified without delay. We will periodically review the personal data that we retain and consider whether it is still required. Any personal data that we no longer require will be destroyed.

# Member's and beneficiary's rights

Beneficiaries form a wider category of people who receive benefits from the Fund, for example:

- the active/deferred/pensioner member's spouse
- child(ren) or dependants who may receive benefits from the Fund following a member's death

Members of the Fund and beneficiaries have a right to access and obtain a copy of the personal data that we hold about them and to ask us to correct personal data if there are any errors or it is out of date or incomplete.

In certain circumstances a member or beneficiary has the right to:

- object to the processing of their personal data
- restrict the processing of their personal data until any errors are corrected
- transfer their personal data
- erase their personal data

If the exercise of the member's or beneficiary's rights would prevent us from paying or continuing to pay a pension from the Fund, we will consider retaining a minimised version of that member's or beneficiary's personal data in order to fulfil our legal and regulatory obligations.

# Participating employers

This policy applies to Warwickshire County Council in its capacity as the administering authority of the Fund.

Additional guidance for other participating employers in the Fund about our expectations for the retention by them of personal data we may require in order to administer the Warwickshire Pension Fund, is available on request. That guidance includes a suggested data retention policy that employers can each adopt in relation to their participation in the Fund.

# Review

This policy will be reviewed by Warwickshire Pension Fund, annually.

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# Staff and Pensions Committee

## 12 June 2023

# Pensions Administration Activity and Performance Update

### Recommendation

That the Committee notes and comments on the content of the report.

## 1. Executive Summary

1.1 This report updates the Committee on the key developments affecting pensions administration and the performance of the Pensions Administration Service (PAS).

## 2. Financial Implications.

2.1 All financial implications are dealt with in the body of this report.

## 3. Environmental Implications

3.1 None arising directly from the content of this report.

## 4. Member Self Service - MSS

4.1 We continue to promote the use of MSS with our pension scheme membership.

4.2 Letters have now been sent out to Pensioner members to introduce the facility to them. Pensioners will be able to see the current value of their pension in payment and update their personal details. The updates to personal details such as address, and email contact will then be downloaded from the Altair administration system and uploaded into the payroll system so that the member only has to do one update for both systems. This will also ensure both systems match.

4.3 The take up split by our different types of members is as follows:

| | | |
|---|---|---|
| Active | 4,959 | 31% of active members |
| Deferred | 3,972 | 22.2% of deferred members |
| Pensioner | 3,118 | 17% of pensions |

4.4 Work will begin in 2023/24 to review the take-up of MSS so that the PAS can target its promotion of MSS and the scheme to those members where take-up is lowest.

## 5. E-payslips

5.1 We have been informing Pensioners that the removal of paper payslips will happen on 30 May 2023. This date has been chosen as it is the first month pensioners will receive a full month of pensions increase due from 10 April 2023. The amount paid in this month is generally what should be paid for the rest of the financial year, unless there are any tax code changes or other changes implemented by the PAS team. If such changes occur, we will write and confirm those with the member. It is hoped that by introducing MSS to Pensioners, they will be encouraged to sign up so that we then have an email address to which their e-payslip can be sent out. E-payslips sent out to the members email account and are password protected.

5.2 We have had a particularly good response from our pensioner members regarding the removal of paper payslips and the sign up for MSS and e-payslips. So far, we have received 2,500 requests to sign up from 9,500 letters issued. We have also received confirmation from 100 that they will not be able to access the service and wish to opt out of digital communications. For these, a letter will be sent out each April to confirm the increase that has been applied to their pension. They can also have a paper payslip on request; however, these will not be sent out every month.

5.3 There are some lessons learnt from the way we have completed this exercise which will inform future approach. Feedback received from members include that the letter sent out was not sufficiently clear that members could opt out of digital communications.

5.4 There were some initial issues with the telephone number people had been advised to call, but these were rectified quickly. The PAS plans to move to a new telephony system, which will allow us to set up helpline numbers and calls groups, record calls for training and monitoring purposes and provide data on call volumes. This will help improve the service for customers, so that they can get straight through to a team member who can help with queries.

## 6. Key Performance Indicators (KPIs)

6.1 Appendix 1 shows the KPI performance for the period 1 April 2022 to 31 March 2023. The KPIs and target timescales are listed in Appendix 2.

6.2 9 out of 14 KPIs are meeting their target and the remaining 5 have all seen improvements in the total number of cases being completed within the KPI deadline.

6.3 For context the table below shows the volume of cases per KPI and the number of cases that were dealt within the KPI target.

| task (KPI) | target | % achieved on time | total number of cases | total number achieved by target |
|---|---|---|---|---|
| 1.Letter detailing transfer in quote | 10 days | 61.46% | 606 | 372 |
| 2.Letter detailing transfer out quote | 10 days | 87.44% | 470 | 411 |
| 3.Process and pay a refund | 10 days | 91.75% | 338 | 310 |
| 4.Letter notifying estimate of retirement benefits (Active) | 15 days | 90.54% | 293 | 265 |
| 5.Letter notifying actual retirement benefits (Active) | 15 days | 99.54% | 341 | 339 |
| 6.Process and pay lump sum (Active) | 10 days | 97.44% | 341 | 332 |
| 7.Process and pay death grant | 10 Days | 97.79% | 111 | 109 |
| 8.Initial letter notifying death of a member | 5 days | 94.63% | 456 | 432 |
| 9.Letter notifying amount of dependents benefits | 10 days | 86.37% | 173 | 149 |
| 10.Divorce quote letter | 45 days | 99.09% | 108 | 107 |
| 11.Divorce settlement letter | 15 days | 100.00% | 1 | 1 |
| 12.Send notification of joining scheme to member | 40 days | 97.79% | 634 | 620 |
| 13.Deferred benefits into payment | 15 days | 97.50% | 689 | 672 |
| 14.Calculate and notify deferred benefits. | 30 days | 94.86% | 2212 | 2098 |

## 7. Pensioner Payroll Key Performance Indicators

7.1 Pensioner payroll for Warwickshire Pension Fund is administered by Warwickshire County Council’s payroll team.

7.2 14,398 payments for pensioners are paid each month.

7.3 The table below provides information on the pensioner payroll service KPIs. Priority is given to ensuring payments are made by the agreed payment dates. Please note the customer care indicator is only recorded for formal complaints. Nil indicates no complaints have been received.

*A table that depicts the Key Performance Indicators for the payroll service*

| Indicator | Description | Measure | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|---|---|
| Customer Care | We will respond to any queries about service delivery within 5 days. (Formal complaints) | 95% of queries will be responded to within 5 days. | NIL | NIL | NIL | |
| Accuracy | Paying people accurately. | 99% of all requested staff payments will be paid accurately. | 100% | 100% | 99.99% | |
| Assurance | Paying people on time. | 100% of input submitted onto Your HR before deadline will be paid on the relevant scheduled pay day. | 100% | 100% | 100% | |
| Statutory returns | We will make all statutory returns by the required deadlines. | 100% of third party payments and statutory returns will be submitted on or before the deadline. | 100% | 100% | 100% | |
| Satisfaction with service | We will achieve constantly high levels of customer satisfaction | Traded wide net promoter score will be 8.8 or more. | 9.3 | 9.2 | 9.1 | |

## 8. Workloads

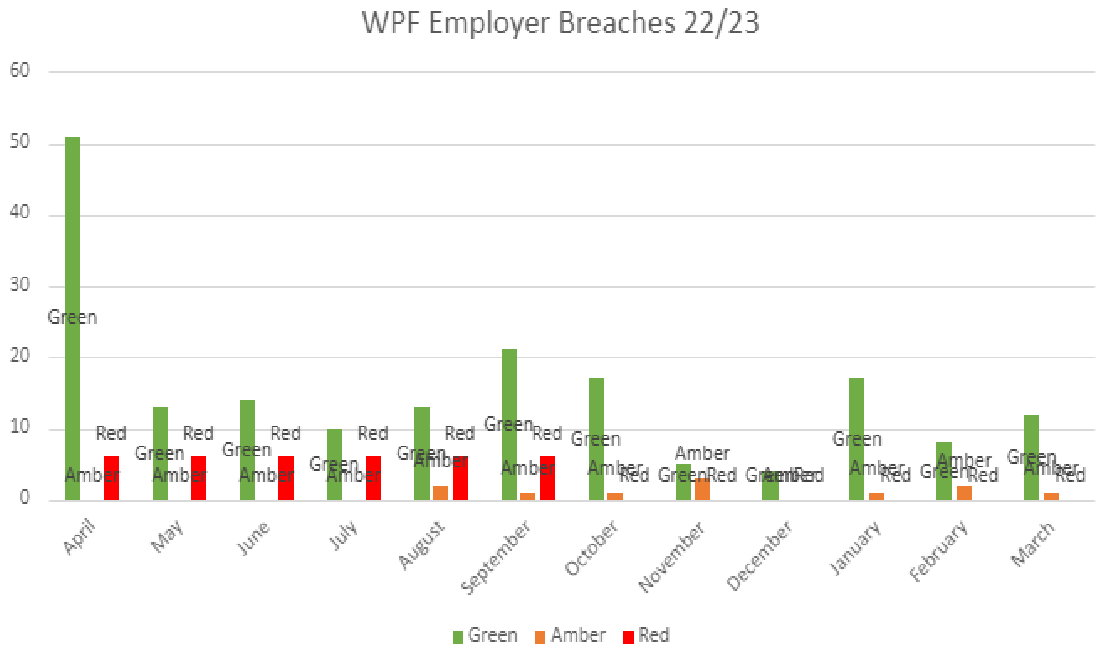
8.1 The PAS continues to monitor work being received by the team and ensure we have the resources to manage the workload.

8.2 Appendix 3 shows on a monthly basis, the amount of work received, and the amount of work being completed. From the 1 January 2023 to 31 March 2023 there have been 10,347 cases created and 11,008 completed, this compares to 10,807 created and 9,816 completed in the same period last year. There are currently 3,165 open cases across the section.

## 9. Breaches

9.1 In accordance with the Fund's Breaches Policy, any amber breach results in direct contact with the employer responsible to resolve the issue. If this does not result in the necessary action required, further escalation can be used.

9.2 The table below indicates the number of breaches the Fund has recorded for the period 1 April 2022 to 31 March 2023:




***What constitutes a breach?***

9.3 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a Scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

*Example 1 - Green Breach*

9.4 An employer is late in paying over employee and employer contributions. It is contacted by officers from the administering authority, it immediately pays the contributions that are overdue, and it improves its procedures so that in future contributions are paid over on time.

9.5 In this instance there has been a breach, but members have not been adversely affected and the employer has changed its processes regarding future payments.

9.6 The breach is therefore not material to the Regulator and need not be reported.

*Example 2 - Amber Breach*

9.7 A pension overpayment is discovered, the administering authority has failed to pay the right amount to the right person at the right time. A breach has therefore occurred.

9.8 The overpayment is however for a modest amount and the pensioner could not have known that they were being overpaid. The overpayment is therefore waived.

9.9 In this case there is no need to report the breach as it is not material.

*Example 3 - Red Breach*

9.10 An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return.

9.11 Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members.

Further information can be found in the Fund's Breaches Policy:
https://api.warwickshire.gov.uk/documents/WCCC-67491560-1272

9.12 Two amber breaches have been recorded for February 2023. One is for a Parish Council who have submitted data through i-Connect late for 3 months. in a row. The second is for an academy who are late paying Additional Voluntary Contribution payments to Standard Life.

## 10. Internal Dispute Resolution Procedure (IDRP)

10.1 The Fund has no outstanding IDRP cases.

10.2 The Fund has received 3 complaints, 1 relating to an ill health pension and 2 relating to the introduction of e-payslips. All 3 have received official responses from the Pensions Administration Delivery Lead. No further action or follow on from members has been received.

## 11. Pensions Dashboards

11.1 The Department of Works and Pensions (DWP) are running the Dashboards Programme where all pension schemes will need to be able to connect to Dashboards. On 2 March 2023, the DWP made a written ministerial statement outlining the changes to the mandatory connection deadlines for pension schemes.

11.2 The statement explains that the Pensions Dashboard Programme will be unable to meet the connection deadlines set out in the legislation, and the timeline will need to be revised.

11.3 Although much of the work on the central digital architecture has been delivered there is more to do, and this is the main cause of the delay.

11.4 The PAS will continue to look at the work needed to be ready for dashboards, focusing on data quality, once the new timetable is released, we will develop a plan to deliver this project.

## Appendices
Appendix 1 – Key Performance chart
Appendix 2 – Key Performance indicators
Appendix 3 – Workflow chart

## Background Papers
None

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|---|---|---|
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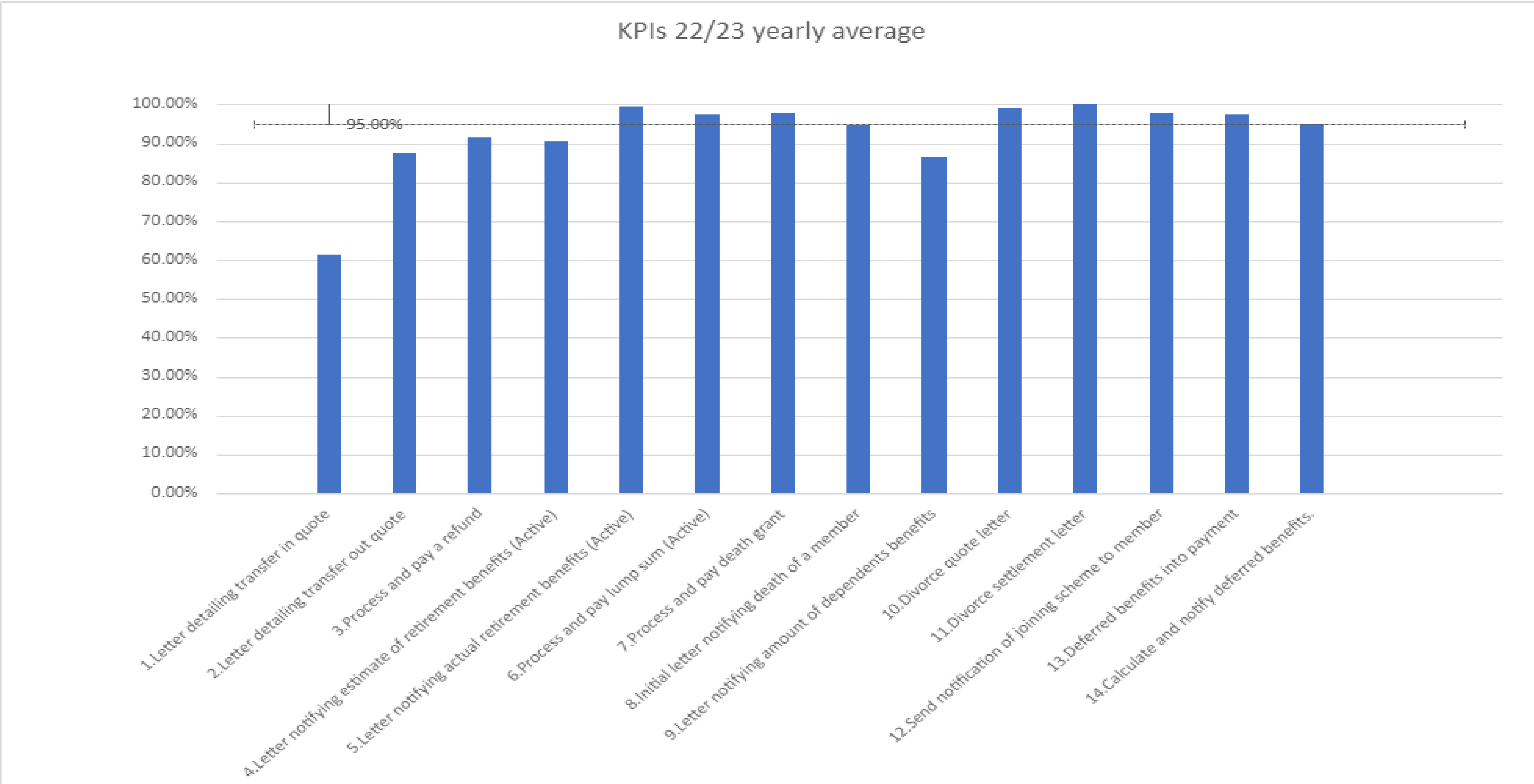
| Portfolio Holder | Councillor Peter Butlin, Portfolio Holder for Finance and Property | peterbutlin@warwickshire.gov.uk |

The report was circulated to the following members prior to publication:

Local Member(s): Not applicable
Other members:  Cllrs Peter Butlin, Yousef Dahmash and Bill Gifford,

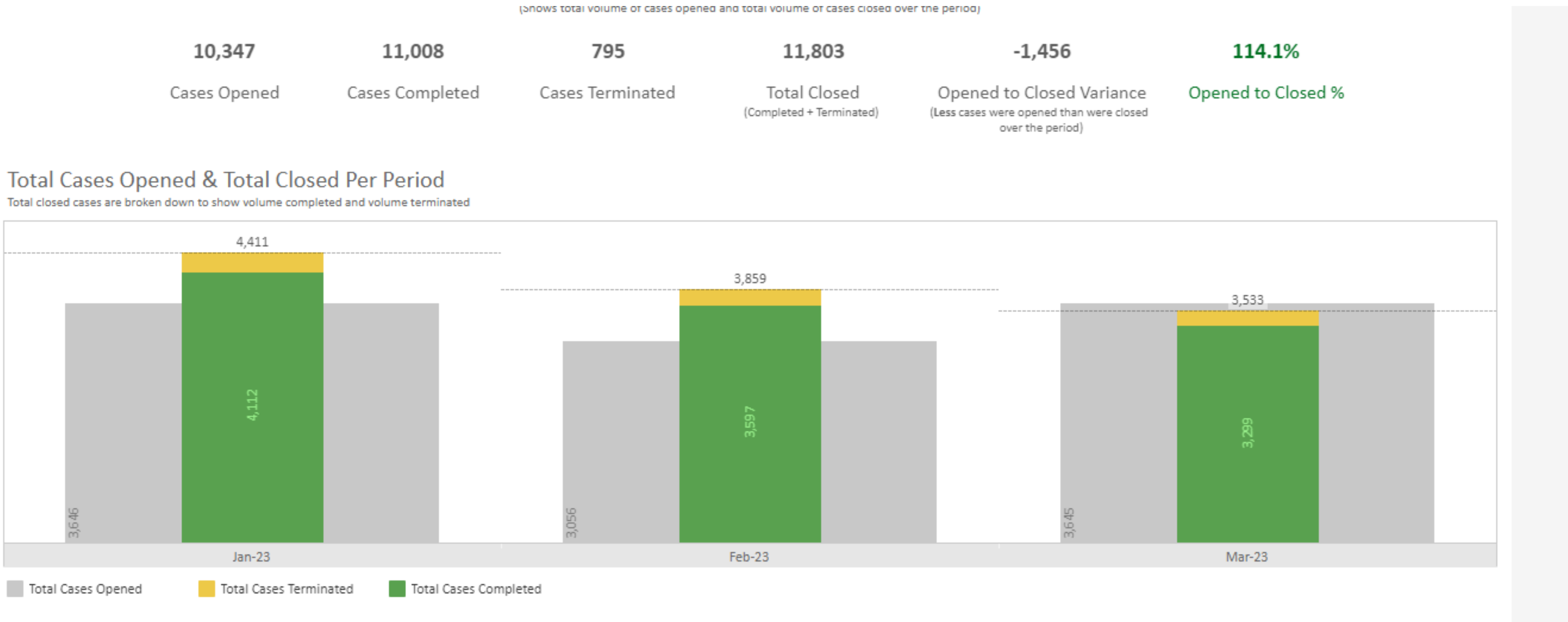
**Appendix 1:** ***A table that shows the 14 KPIs and the level of achievement marked against a target of 95%***



**Appendix 2:** *A table that shows the fund target dates for each KPI*

| Key Performance Indicator | Fund Target |
|---|---|
| Target performance | |
| 1.Letter detailing transfer in quote | 10 days |
| 2.Letter detailing transfer out quote | 10 days |
| 3.Process and pay a refund | 10 days |
| 4.Letter notifying estimate of retirement benefits (Active) | 15 days |
| 5.Letter notifying actual retirement benefits (Active) | 15 days |
| 6.Process and pay lump sum (Active) | 10 days |
| 7.Process and pay death grant | 10 Days |
| 8.Initial letter notifying death of a member | 5 days |
| 9.Letter notifying amount of dependents benefits | 10 days |
| 10.Divorce quote letter | 45 days |
| 11.Divorce settlement letter | 15 days |
| 12.Send notification of joining scheme to member | 40 days |
| 13.Deferred benefits into payment | 15 days |
| 14.Calculate and notify deferred benefits. | 30 days |

**Appendix 3:** *A bar chart that shows the number of workflow cases created and completed per month*



# Staff and Pensions Committee

# 12 June 2023

# Pensions Overpayment Policy

## Recommendations

That the Committee:

1. Approves Warwickshire Pension Fund's policy on Pension Overpayments (the Pension Overpayments Policy)

2. Delegates to the Strategic Director for Resources the authority to update the Pension Overpayments Policy as required from time to time to reflect changes in working practice and/or the law.

## 1. Executive Summary

1.1 The proposed Pensions Overpayments Policy attached at Appendix 1 sets out the steps that the Warwickshire Pension Fund (WPF) will take on discovery of an overpayment of pension made to a retired member of the LGPS or a beneficiary. The policy consolidates into a single document the legal requirements, guidance and practice currently adopted by the WPF to pensions overpayments.

1.2 The aim of the proposed Policy is to reduce the scope for overpayments being made and to set out a consistent and fair approach for the recovery of overpayments where these occur, thereby reducing the prospect of Internal Dispute Resolution Procedure proceedings or Pension Ombudsman challenges.

1.3 The Policy sets out:

- Steps that will be taken by WPF to minimise the risk of overpayments occurring.
- The responsibilities of scheme members where they identify or suspect an overpayment.
- The procedure to be followed by WPF where overpayments of pension have been made, both in cases where the member has died or where the member is living.
- Cases where WPF may not seek recovery of an overpayment.
- The discretion for WPF to pay any tax charge arising where an overpayment is deemed by HMRC to be an 'unauthorised payment.'

1.4 The principles within the Policy are intended to apply equally to members of the Warwickshire Local Government Pensions Scheme which is administered by WPF on behalf of Warwickshire County Council and to members of the Warwickshire Firefighters Pension Scheme which is administered by West Yorkshire Pension Fund.

## 2. Financial Implications

There are no direct financial implications arising from this report, although it is anticipated that implementation of the Policy will reduce the chance of overpayments being made and improve prospects of recovery where overpayments are made both of which will improve financial performance for WPF and the respective Pension Schemes.

## 3. Environmental Implications

None arising directly from this report.

## 4. Supporting Information

4.1 The pension benefits payable to LGPS (and Firefighter) scheme members are governed by regulations and the law does not allow for members to be paid more than they are entitled to. Therefore, where overpayments are identified, administering authorities are generally under a legal duty to recover those overpayments.

4.2 The starting point is that WPF will generally endeavour to collect money owing to it promptly, efficiently, and economically. In all cases, formal legal action through the courts to recover debts will be a last resort and generally commenced where other avenues of recovery have failed to resolve an issue or where it is necessary to commence proceedings to protect the position of the Fund.

4.3 The Policy sets out the limited circumstances where WPF may not seek to recover overpayments. In most cases this is where an individual has died part way through a calendar month or where the overpayment is less than £250. In those cases, WPF's view is that it would be uneconomical to pursue recovery, and this is reflected in WPF's discretions.

4.4 There may be other cases where an overpayment is greater than £250 but is deemed to be irrecoverable. The Policy does not interfere with the Council's current framework and thresholds for 'writing off' debts although it does recognise that there are specific considerations relating to pension overpayments (as opposed to other forms of debt). The Policy is intended to assist decision makers in applying the relevant factors when considering whether to waive overpayments. The individuals with authority to approve the waiver are identified in Warwickshire County Council's debt recovery policy, as may be amended from time to time.

4.5 The final circumstance where WPF may not seek to recover overpayments is where there has been a 'bulk' reconciliation exercise affecting public sector pension schemes, which has brought overpayments to light. Decisions in relation to these overpayments are managed on a case-by-case basis outside of the Policy in line with national guidance.

4.6 The Policy will be published on WPF's website.

## 5. Timescales associated with the decision and next steps

If approved, the Policy can be implemented immediately.

## Appendices

Appendix 1 – Pensions Overpayment Policy

## Background Papers

None

| | Name | Contact Information |
|---|---|---|
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The report was circulated to the following members prior to publication:

Local Member(s): N/a - county wide matter
Other members:  Councillor Dahmash and Councillor Gifford

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# Pension Overpayment Policy

## Warwickshire County Council

## Warwickshire Pension Fund

## Warwickshire Fire and Rescue Service

Version: v.1
Date: January 2023
Protection: Sensitive

**Pension Overpayment Policy**

## 1. Introduction:

This is the overpayments policy of Warwickshire Pension Fund (WPF) which administers the Warwickshire Local Government Pension Scheme (LGPS) on behalf of Warwickshire County Council.

WPF has robust processes in place to ensure that the correct amount of pension benefit is paid to its retired members. However, on occasion, overpayments of pension benefit are identified. This Policy sets out the course of action WPF will take in these circumstances.

WPF owes a fiduciary duty to all of its members and scheme employers and is therefore under an obligation to recover money which has been incorrectly paid to a member, including where a mistake has occurred and where there is no fault on the part of the member.

This Policy aims to ensure that WPF has a clear process on how to prevent pension overpayments arising, as well as how overpayments are managed and recovered once they are identified.

## 2. Scope

This policy applies to:

a) All members and former members of the LGPS and their dependants, including members who left pensionable service prior to 1 April 2014, councillor members and pension credit members;

b) Executors of the Estates of LGPS members;

c) Beneficiaries of LGPS members;

d) WPF Administrators.

The principles set out in this Policy shall also apply to overpayments of pension to members of the Firefighters Pension Scheme, which is currently administered for Warwickshire by West Yorkshire Pension Fund.

## 3. Policy Objectives

The Policy Objectives aim to ensure that WPF:

a) pays the correct amount of benefits to the right people at the right time;

b) identifies errors as soon and possible and encourages individuals to take an active role in checking payslips/payments for obvious errors;

c) attempts to recover overpayments of benefits, where appropriate and practical to do so and with the co-operation of the individual;

d) manages and rectifies overpayments in a fair and equitable manner;

e) has processes in place to prevent and mitigate potential fraudulent activity;

f) has robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.

## 4. Prevention of Overpayments

WPF will take all reasonable steps to minimise the risk of overpayments occurring, to include the following:

a) Reminders are included in all correspondence with members that WPF must be advised of changes in circumstances, or of the death of a scheme member.

b) It is the policy of WPF to suspend a scheme member's pension payment where any scheme correspondence is returned. This allows pension officers time to investigate fully to ensure that overpayment does not occur; for example, mail may be returned where the scheme member has died.

c) WPF is signed up to the Tell Us Once service. This service allows a bereaved person to inform central and local government services of a death at one time instead of having to contact each service individually. This ensures that not only is WPF notified, but that pension officers can act more quickly than otherwise may be the case, e.g. if waiting for next of kin to get in touch, thereby reducing the likelihood of an overpayment occurring.

d) The National Fraud Initiative is conducted every two years; it compares files of pensioners with the Department for Work and Pensions database of the deceased and highlights matches for investigation. WPF actively participates in this initiative.

e) WPF participates in overseas life existence checks, by regularly requiring pensioners to provide independently verified proof either by paper certificate or online biometric verification to ensure that only legitimate pensions are being paid and to reduce the likelihood of fraudulent activity.

f) A report is run periodically on the pension administration system to identify individuals in receipt of a child's pension. Further investigations are then carried out for children that are identified as over the age of 18 to ensure they are still entitled to receive a pension.

g) WPF officers have a robust system in place for identifying changes to the payroll that need to be processed for a particular payroll month. The process incorporates payroll deadlines and ensures changes are made in a correct and timely manner. This would be in circumstances such as a change from a short-term dependant's pension to a long-term pension.

## 5. Responsibility of Scheme Members

Scheme members have a responsibility to notify WPF if they identify or suspect that pension payments are in excess of what they ought to be. There is an expectation that individuals will review payments against quotes received from WPF.

Steps a member should take:

A query should be raised in writing where a member believes payments to be inconsistent with their entitlement.

This can be done via the Member Self Service Portal: [link]

Or by email to: pensions@warwickshire.gov.uk

Or by post to:

Warwickshire Pension Fund
Shire Hall
Market Square
Warwick
CV34 4RL

## 6. Managing Overpayments of Pension and Lump Sums

Where overpayment of pension occurs, WPF will generally endeavour to collect money owing to it promptly, efficiently and economically.

Outlined below are the steps WPF will take, depending on the circumstance of the overpayment.

In all cases, formal legal action through the courts to recover debts will be a last resort and commenced generally only where other routes have failed to achieve a resolution or where it is legally necessary to do so to protect the position of the Fund.

### 6.1. Overpayment of pension following the death of a member

Overpayments of pension on the death of a member are common and inevitable, notwithstanding the steps taken by WPF to prevent and minimise them.

Pension payments are made monthly in arrears and even with prompt notification of a member passing away there is a risk of overpayment, given that payroll deadlines are in advance of actual payment date; at a minimum, a portion of the final payment will, as a consequence, have been overpaid. Overpayments can be much greater where there is a delay in WPF receiving any notification of the death of a member, or where the death of a member has been identified as part of the work of the National Fraud Initiative.

All correspondence regarding an overpayment under these conditions will be handled particularly sensitively due to the circumstances.

Upon notification that a member has died, WPF will seek to confirm the date of death and will calculate the net pension overpayment as soon as reasonably practicable, usually within 7 working days.

WPF will always try to contact the deceased member’s next of kin or their estate to explain the overpayment and the options for recovery of this.

WPF will seek to agree proposed method of recovery before any action is taken to recover the overpayment. Such methods of recovery include:

a) Making a reduction to any death grant payable. The amount of the death grant will need to be greater than the overpayment for this approach to be taken.
b) Agreeing a one-off payment from the member’s estate.
c) If there is a dependant, agreeing a reduced dependant’s pension with them over a period of time.

Where the Fund has overpaid a death grant, the dependant's pension(s) will not immediately be reduced. WPF will contact the dependant(s) to explain the error and provide the option of returning the overpayment via a one-off payment which will be invoiced directly, or via a reduction to the dependant's pension.

Where there is more than one dependant and some are not yet adults, WPF will generally seek to engage with the adult dependant(s) to resolve all the dependants' overpayments of pension, if this is possible
Where recovery of an overpayment is to be made through a reduction to an ongoing dependant's pension, the recovery period will be determined on a case-by-case basis depending on the size of the overpayment, the size of the dependant's pension and the age of the dependant but will not be shorter than the length of time of the overpayments.

Where it has not been possible to make contact with the deceased member's next of kin or their estate, an invoice will be raised to "The Estate of [Member's name]" and issued to the member's last recorded address, or the address of the personal representative of their estate if known. The invoice will be issued with a covering letter seeking direct return of the overpayment where possible or admission of the claim against the estate of the late member where direct return of funds is not possible.

In the event that recovery of the overpayment cannot be achieved by agreement with the next of kin or the estate, or WPF is unable to make contact with either, then recovery of the overpayment will be handled under Warwickshire County Council's debt recovery policy.

**6.2. Overpayment of pension where the scheme member is living**

Overpayments of pension may be identified in circumstances where the scheme member has identified an error and brought this to the attention of WPF or where the error is discovered by WPF and the scheme member could not have known of the error, for example. where the pension entitlement is calculated incorrectly on retirement, or the annual pension increase is incorrectly applied.

In cases where the member has raised a query about a potential overpayment, WPF will acknowledge this as soon as reasonably practicable, providing estimated timeframes for investigation.

In all cases, once an overpayment has been identified, WPF will notify the member as soon as reasonably practicable that an overpayment has occurred, including where possible, the net overpayment calculation.

WPF will take steps to reduce future pension benefits to the correct level as soon as possible.

An invoice for the overpayment will be raised and issued to the member and WPF will seek to agree a method for recovery where possible.

There are a number of ways in which the overpayment may be recovered:

a) The member could make an offer of instalment contributions towards the overpayment.
b) The member could make an offer of a lump sum contribution towards the overpayment, either from existing savings, or by liquidating assets
c) WPF may make deductions directly from any ongoing pension payments but WPF will not usually reduce the pension to below the minimum income guarantee for a single person + 30% of the annual occupational pension entitlement. Financial and Pension regulations do not specify a percentage that an individual's pension could be reduced to. On assessing the reduction we have taken into

account the risk of causing any financial hardship and to allow for the recovery of the overpayment over a suitable period of time.

d) WPF may seek to obtain a charging order to secure the debt against one or more of any assets. This will necessitate WPF first obtaining a Judgment against the member on the basis of the unjust enrichment, via a court claim.

If the member would like to accelerate the process of paying off the overpayment in order to minimise, for example, the accrual of interest applicable to charges against assets, then any alternate proposals will be considered.

Where the overpayment is an overpayment of a lump sum, WPF will usually seek to recover the amount in full through one immediate payment. However, consideration will be given to collect this in instalments if this is not a suitable option.

When deciding on a particular method for recovery of the overpayment, WPF will look at all relevant circumstances, including how the use of one method may impact on the availability of other potential alternative methods.

## 7. Cases where WPF may not seek recovery

**7.1.** WPF will not generally seek to recover overpayments of less than £250 as these are deemed to be uneconomical to pursue. This includes death grant overpayments. The Fund's usual approach in those circumstances will be that the sum is written off and is treated as a liability against the scheme member's former employer.

**7.2.** If an individual in receipt of a pension (including a dependant's pension) dies part way through a calendar month and the full monthly pension is paid (so the pension is overpaid for a proportion of one month), WPF will not seek to recover this overpayment and the excess amount will be written off.

**7.3.** Occasionally, bulk 'reconciliation' exercises (such as the GMP reconciliation exercise) will result in the discovery of overpayments of pension. In view of the size of these exercises and the number of potential overpayments, decisions concerning the writing-off of those overpayments will be made on a case-by-case basis by the relevant decision-making body within Warwickshire County Council, outside of this policy, taking into account any national guidance on the matter.

**7.4.** Occasionally, all or part of an overpayment is deemed to be irrecoverable. In these circumstances, WPF may seek to waive all or part of an overpayment. Relevant considerations may include but are not limited to:

a) Whether the member knew or could reasonably have known about the overpayment
b) The size of the overpayment
c) The cost of recovering the overpayment
d) Whether a limitation period or other legal defence to recovery applies
e) The age, health and financial position of the member

The individuals with authority to approve the waiver are identified in Warwickshire County Council's debt recovery policy, as amended from time to time.

## 8. Unauthorised Payments

**8.1.** WPF believes that in the vast majority of cases, overpayments of pension will have arisen due to a genuine error and where these are waived by WPF, in full or in part, they will be authorised payments under the Registered Pension Schemes (Authorised Payments) Regulations 2009.

**8.2.** In the event that an overpayment is unauthorised, and the member incurs a tax charge, WPF may offer to pay the tax charge on behalf of the member in circumstances where the member could not reasonably have known of the overpayment.

## 9. Disputes

If the member or dependant is not happy with a decision taken in accordance with this policy, they have the right of appeal through the relevant pension scheme's Internal Dispute Resolution Procedure (IDRP) which can be found on the Fund's website:

LGPS: https://warwickshirepensionfund.org.uk/scheme/scheme-1/4

Firefighters Pension Scheme:

https://warwickshirepensionfund.org.uk/firefighter-pensions

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Agenda Item 7

# Staff and Pensions Committee

## 12 June 2023

# Warwickshire Pension Fund - Revision of Early Retirement Strain Cost Factors

### Recommendation

That the Committee reviews the information provided in this report and ratifies the revision of the Early Retirement Strain Cost Loading Factor for the Warwickshire Pension Fund.

## 1. Executive Summary

1.1 The Warwickshire Pension Fund has just completed its triennial valuation where the Fund's Actuary, Hymans Robertson, calculates the estimated costs to Employers of the Fund of providing benefits to members.

1.2 As part of the valuation the Fund has considered whether a full review of the Early Retirement Strain Cost factors should also be undertaken. These factors are used to calculate the additional cost for allowing members to retire before their normal pension age (NPA) and where their benefits are paid unreduced. The factors depend on actuarial assumptions which were reviewed and updated at the 2022 valuation.

1.3 There were no material changes to the actuarial assumptions as part of the 2022 valuation. Given this, and that a review of the factors was last undertaken in 2019, at the last valuation, it was decided that only a review of the loading factor be completed at this time (instead of more in-depth review).

1.4 The recommendation is that a new loading factor of 122% is applied to the factors that are used to derive early retirement strain costs.

1.5 The recommendation is also that the loading factor be implemented form 1st July 2023 and used for all future calculations to derive the strain cost payable by the employer immediately upon the member's early retirement.

## 2. Financial Implications

2.1 If a member takes early retirement with no corresponding reduction to their benefits, there are additional costs to the fund based on the longer than expected payment period and the lost investment returns. These additional costs are known as 'early retirement strain costs'.

2.2 As the true cost of a retirement can only be realised when the pension ceases to be paid, these strain costs are an estimate of the additional benefits that will need to be paid out of the Fund.

2.3 The strain cost is payable immediately upon the member's retirement. The estimated strain cost payable by the employer is calculated using factors, (unreduced pension) x (Early Retirement Reduction (ERR) Factor) x (annuity Factor at Early Retirement Age)

ERR factor = the reduction factor that would have been applied to the member's pension had they not retired with unreduced benefits

Annuity Factor = the cost of paying £1 per annum (plus future increases in payment) for the reminder of the member's lifetime from their retirement date.

2.4 This approach does involve some approximations, but the Fund Actuary believes these are appropriate to balance accuracy against administrative ease. Given that approximations are involved, the strain costs calculated may or may not be equal to the actual real cost of the early release of the benefits. However, any difference will be picked up in the next valuation and all additional costs will be paid to the Fund.

2.5 The use of these factors is a pragmatic approach to ensure the cost is collected from the member's employer at the time of the member's retirement and the additional costs are recognised by employers and fed into their decision making processes.

2.6 The increase in the loading factor will mean an increase in the strain costs payable by employers.

## 3. Environmental Implications

None arising from this report.

## 4. Supporting Information

4.1 It has been recommended by the Fund's Actuary, that the loading factor is revised immediately, as the current Early Retirement Strain Cost Factors are understating the strain cost in most circumstances.

## 5. Timescales associated with the decision and next steps

5.1 Subject to approval the change to the loading factor will be made from 1st July 2023.

5.2 Employers who have received a quotation of strain costs prior to this date, have been pre-emptively warned that the factors used to calculate costs are under review and so this may change the costs quoted to them.

5.3 However, we will review this on a case-by-case basis, looking at the date the quote was requested and the retirement date for the member, to see if a revised strain cost should be provided or whether the quotation should be honoured.

## Appendices
Appendix 1 – Early Retirement Strain Cost Factors report from Hymans Robertson

## Background Papers
None

| | **Name** | **Contact Information** |
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The report was circulated to the following members prior to publication:

Local Member(s):not applicable
Other members:  Cllrs Dahmash and Gifford

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HYMANS ROBERTSON

# Warwickshire Pension Fund

## Early Retirement Strain Cost Factors

April 2023

Douglas Green FFA

Fellow of the Institute or Faculty of Actuaries
For and on behalf of Hymans Robertson LLP

# Contents


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| Comparison between existing and proposed assumptions | 6 |
| Implementation | 9 |
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Appendices

Appendix 1 - Existing factors for early retirement strain costs

# Executive Summary

This paper has been requested by, and is addressed to, Warwickshire County Council in its capacity as Administering Authority of the Warwickshire Pension Fund (“the Fund”). The purpose of the paper is to advise replacement early retirement strain cost factors for use by the Fund.

The Fund needs strain cost factors to determine the added cash which an employer must pay whenever a member takes early retirement on unreduced benefits. These benefits cost the Fund more than it had been expecting, so the employer must pay the additional cost.

**In order to reflect the latest assumptions adopted by the Fund for the purposes of the formal funding valuation as at 31 March 2022, we recommend that a single loading factor of 122% should be applied to the strain costs being generated by the Fund’s existing factors (shown in Appendix 1). The Fund should consider the exact method and timing of implementing this new loading factor, as outlined under “Implementation” below.**

**Please note that this new loading factor of 122% is based on the understanding that no other loading factor is currently being applied by the Fund to its existing factors.**

The new loading factor reflects our analysis that the Fund’s existing early retirement factors understate the strain cost in most circumstances. Therefore, **adopting the new loading factor will give rise to higher strain costs required from employers**.

This advice should be reviewed at the next formal actuarial valuation, or if the funding basis is materially altered, whichever occurs first.

# Background

At the triennial valuation, the actuary calculates the estimated cost of providing benefits to members, over and above the member contributions and expected investment returns. This estimated cost is then charged to employers as their required regular contributions. In valuing the benefits, the actuary generally assumes that active members will start taking benefits around the earliest date they are able to do so in full, the "Normal Pension Age" or NPA.

LGPS Regulations determine the NPA for different tranches of benefit for a given member, and the employer contributions are based on that data. If a member was to take early retirement on unreduced benefits before NPA then an added cost (also referred to as the "early retirement strain cost") arises for the Fund. This is due to:

- The longer expected payment period: the member's expected age at death is unchanged, but the start date of payments is earlier;
- The missing investment returns which the Fund would have expected on those assets if they hadn't been needed for early retirement benefit payments, but had remained invested until NPA instead (NB this is partly offset by the expected future salary and CPI growth which would have increased the benefits).

There are a number of approaches to calculating this added cost:

A. The true cost of any given early retirement can only be known at the death of the member. At that point the Fund could exactly determine the benefit payments actually made, and their excess over those which would have been made from NPA, together with investment returns.

Other approaches can therefore only be estimates of the true cost:

B. The accounting cost as estimated at the next accounting disclosure (under FRS102 or IAS19), which will use different assumptions from those used for funding.

C. The funding cost as estimated at the next funding valuation, which will use different assumptions from those used for accounting.

D. The immediate cash cost payable by the employer, calculated using factors, typically derived using a simplified calculation methodology as outlined below. This methodology is adopted to be easily incorporated within the Fund's administration software. This paper considers these factors, as an approximate estimate of the true cost as per A above, in order to have the bulk of the anticipated added cost being paid into the Fund in the short term.

It is almost inevitable, given the inherent approximations, that the factors under approach D will give rise to added contributions which prove, at the next valuation, to be lower or higher than the calculated costs at that time. The difference will therefore affect the employer's deficit position at the next valuation date, so that the required balancing contributions are collected in the longer term. However, the use of these factors is a pragmatic approach to ensure that a significant part of the cost is collected from the member's employer at the time of early retirement.

Given the different actuarial assumptions which apply for accounting purposes, it is also inevitable that the cost under approach D will differ markedly from the past service cost likely to be disclosed under FRS102/IAS19.

# The factors methodology (Approach D)

The Fund needs some ready way to calculate the added cost arising from each early retirement, so that the employer concerned can be billed appropriately at the time of the retirement. In practice this is calculated by the pension's administrator using Early Retirement Strain Cost Factors. These factors are determined by each fund and are not mandated by the Regulations or the Government Actuary's Department.

The factors we understand are currently used by the Fund are attached as Appendix 1 to this paper, and were introduced in 2019.

In essence the strain cost is calculated as:

{Unreduced pension} x {ERR factor} x {Annuity Factor at ERA}

where:

- ERR factor = the Early Retirement Reduction factor which would have applied to the member's pension had the retirement not been with employer consent. (NB These are calculated for funding purposes, and will therefore differ from the standard GAD early retirement reduction factors which would be applied if the member's pension was actually being reduced).
- Annuity Factor at ERA = the cost of paying a pension of £1 p.a. (plus future increases in payment) for the remainder of the member's expected lifetime from their Early Retirement Age.

These early retirement strain cost factors are typically derived using the actuarial assumptions adopted at the most recent triennial valuation of the Fund. Once a valuation has been completed, it is therefore common practice to revisit these factors to allow for the updated valuation assumptions. This can be done in two ways:

- The Fund can implement a full set of new, bespoke ERR and Annuity Factors.
- Alternatively, the Fund can apply a single loading to the existing factors in use. Whilst this approach is more approximate than adopting a full bespoke set of factors, it will provide a sensible estimation.

In accordance with the Fund's request, this paper advises on the second option, i.e. a single loading that should be applied to the existing factors in use.

# Assumptions underlying proposed new Factors

## Background

From the above, we would therefore propose that the Fund applies a loading to its existing factors where the underlying assumptions reflect those used at the most recent formal funding valuation as at 31 March 2022. The rationale for these assumptions is that the strain costs are a funding cost for the employer and should therefore use the same assumptions as those underpinning the most recent formal funding valuation.

We understand that the administration software only permits a single table of factors to be used for all Fund members, which in turn implies the use of a single set of assumptions. However, at the 31 March 2022 formal funding valuation we measured funding positions using different assumed investment returns (as at the valuation date) for different types of employer. In the interests of pragmatism, we have proposed an assumed investment return below which relates (at the valuation date) to the reported whole Fund funding position. This is taken to be appropriate for employers of the majority of Fund members, on the long term funding target (as opposed to contractor or cessation funding targets – see next page).

## Principal assumptions adopted

We have therefore used the following principal long term average assumptions:

- Assumed investment return = 4.0% p.a.
- Pay growth rate = 3.7% p.a.
- CPI pension increase rate = 2.7% p.a.
- Pre-retirement increase rate = 3.2% p.a. (average of pay growth and pension increase rates – see next page)
- Life expectancy as per whole Fund averages.

The derivation of these assumptions was detailed in the advice provided for the formal valuation as at 31 March 2022, including the formal valuation report.

(The financial assumptions used for the existing factors were 3.7%, 3.1%, 2.3% and 3.1% respectively, i.e. in line with the most recent funding valuation at that time).

## Simplifying assumptions adopted

In determining the proposed loading to the Fund's existing factors we have had to make the following simplified assumptions:

- Member's NPA = 67 for the age at which members can receive all accrued retirement benefits unreduced. This assumption of a single NPA is because the ERR factor will differ whether (for example) the member is retiring 5 years early at age 55 with an NPA of 60, or retiring at age 62 with an NPA of 67. The administration software does not allow this distinction, it uses the same factor for a given number of years early, regardless of NPA, so we have chosen 67 as a suitable average across LGPS active members: this is in line with the funding assumption adopted at the most recent valuation of the Fund.
- As the administration system only permits one ERR factor regardless of gender, we have taken the average of male and female factors.

Note that another simplification is due to the application of a single revaluation assumption which is equal to the average of the salary increase assumption and the CPI assumption for all pension, (rather than allowing for separate revaluation of the pre- and post-2014 element of the member's accrued pension). We have used this simplification because:

- The administration software does not permit different ERR factors to be applied to different tranches of benefit for early retirement strain cost purposes;
- With the passing of time since 2014, the pre-2014 and post-2014 elements of the average accrued pension will likely become more balanced for members retiring in the near future (in recent years we would have expected the majority of a retiring member's pension to be pre-2014);
- The higher strain costs will generally occur where the member has much longer service, in which case the salary-related pre-2014 element will be a larger element of the total anyway and therefore it is important to maintain a link to the salary increase assumption in our calculations;
- We consider this an acceptable approximation in the context of other simplifications applied in this calculation, as identified above;
- The calculated strain cost is only ever an interim payment requested from the employer, so any difference from the cost calculated at the next valuation (as per approach C above) will be picked up in employer contributions at that stage.

The resulting loading factor should be applied to the Fund's existing factors as shown in Appendix 1.

### Employers with alternative funding targets

The use of the lower assumed investment return in alternative funding targets would, all other things being equal, give rise to lower strain cost calculations. We would therefore expect that strain costs calculated for employers on contractor or cessation funding targets are more likely to be higher than strictly necessary, thus giving rise to funding gains at the next funding valuation. However, we consider this to be acceptable, partly on the grounds of administrative simplicity (we only expect a small minority of early retirements to take place among such employers). Furthermore, as these employers are heading to a cessation event, this would either:

- reduce the amount of cessation debt which the employer has to pay at that time anyway, or
- increase any surplus which may be returned to them under the discretionary decision made by the Fund with regard to an exit credit at that time,

depending on their funding position at cessation.

# Impact of proposed assumptions

We have proposed the above assumptions as they are in line with the assumptions underpinning the majority of employer funding strategies as at the last valuation.

If different assumptions were to be adopted for these factors, then there would be a disconnect between the measurement of the required strain payment, and the measurement of the existing funding reserve immediately prior to early retirement.

It is not possible to state whether a more or less prudent set of assumptions for these factors would give rise to higher or lower strain payments, since different assumptions affect different parts of the strain cost calculation in different ways. For instance, a lower real assumed investment return would give a lower ERR factor but a higher Annuity Factor, and the overall impact would vary by age and term to NPA.

However, we can state that:

- Higher calculated strain costs will, all other things being equal, mean a lower likelihood that a further deficit arises at the future valuations, and a higher likelihood that the strain payment will prove to be overly sufficient (and vice versa);
- Changes to market conditions and to future valuation assumptions will mean that the strain cost factors will become more or less likely to meet the true cost and future funding and accounting requirements. For the reasons stated above it is not possible to state simply that a given change will give rise to a greater or smaller likelihood of the strain payment proving to be sufficient.

# Comparison between existing and proposed assumptions

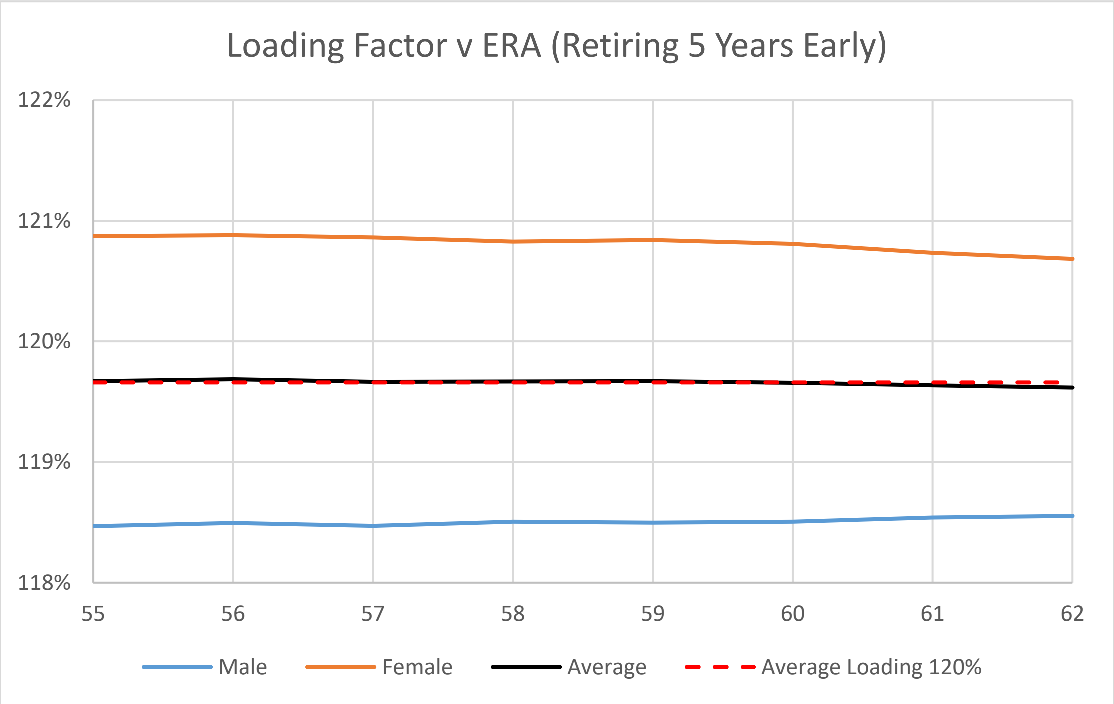
We have calculated the strain cost which would apply for a variety of notional members, of different ages, gender and term to retirement, using the following:

- The assumptions adopted at the formal funding valuation as at 31 March 2019 (i.e. the current factors being used by the Fund, which are shown in Appendix 1).
- The assumptions adopted at the most recent formal funding valuation as at 31 March 2022 (shown above).

By comparing the resulting strain costs under the two sets of assumptions, this allows us to determine the impact of moving from the current assumptions to the new assumptions being proposed.

The chart below shows our analysis for a particular cohort of hypothetical members – namely those that retire 5 years earlier than their Normal Pension Age. For these members, we have compared the strain costs that arise at each Early Retirement Age (ERA) under the current and new assumptions.

We have analysed this impact for both males and females but also looked at the average impact across these two groups.

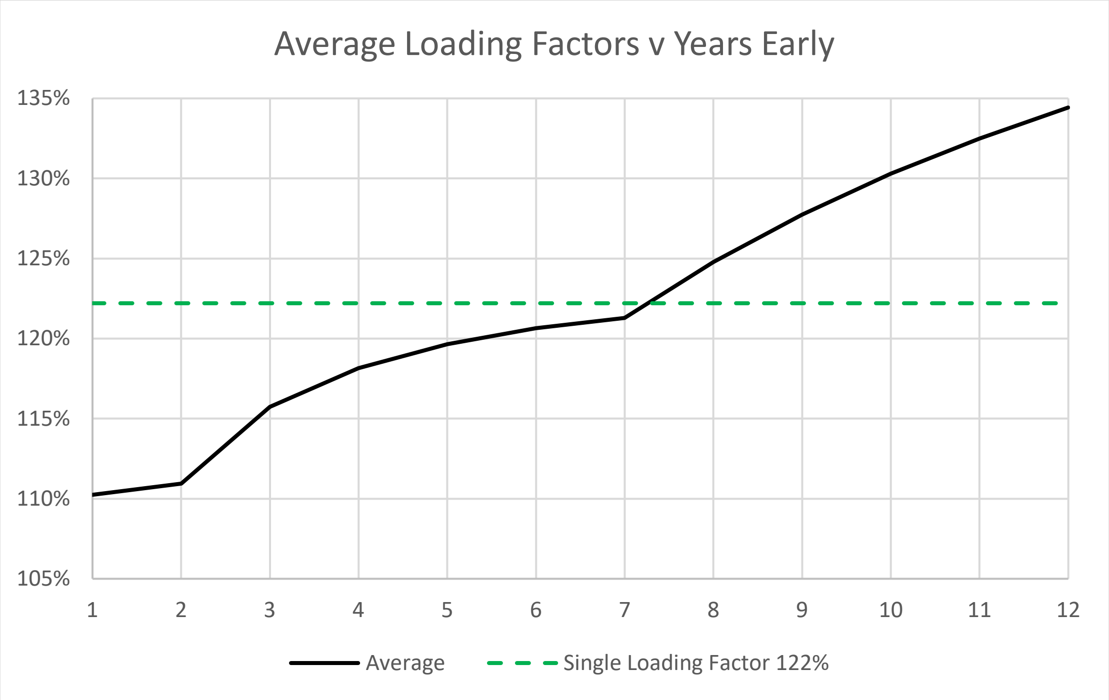



The chart above shows that (for example) the strain cost arising for a male retiring 5 years early at age 55 is around 18% greater under the new assumptions than under the current ones. For a corresponding female at age 55, the new strain cost is around 21% higher. The average of the two (shown by the black line) is an increase of around 20% at age 55.

Looking across all ages and genders in the chart above, we have determined that the average impact is around 20%. This is shown by the red dashed line.

In other words, **for members retiring 5 years early**, the Fund can update its strain cost calculations to reflect the latest formal valuation assumptions by simply applying a loading factor of 120% to the strain costs being generated by its current factors (shown in Appendix 1).

We have expanded and repeated this analysis for a wide range of scenarios, where members retire between 1 and 12 years early. The results are presented in the chart below.




The black line in the chart again shows the average impact of moving to the new assumptions for each early retirement scenario. For example, as already established, for members retiring 5 years early the strain costs are around 20% higher under the new assumptions. For those retiring 10 years early, the increase is around 30%.

Looking across the range of scenarios, we have determined that the average impact of adopting the new assumptions is an increase in strain cost of around 22%. This is shown by the green dashed line above.

**Therefore, for all members taking early retirement on unreduced benefits where the Fund calculates the strain cost using the current factors shown in Appendix 1, we advise that the Fund should update this calculation by simply applying a single loading factor of 122%.**

**For example, if the Fund's current factors are generating a strain cost of £10,000 for a particular member then this should be increased to £12,200 (i.e. £10,000 x 1.22).**

Note that whilst this approach will not be as accurate as adopting a full bespoke set of new early retirement factors, it will provide a sensible estimation.

Note that a different chosen loading factor would give a different result for all early retirements:

- A lower factor would give more accurate results for members retiring closer to their Normal Pension Age, and less accurate results (likely an understated strain cost) for those retiring further from their NPA;
- A higher factor would give more accurate results for members retiring further from their Normal Pension Age, and less accurate results (likely an overstated strain cost) for those retiring closer to their NPA.

The recommended loading factor has been calculated as the average across all early retirement terms, which we believe is an appropriate approach.

# Implementation

A. **Factors**: The existing factors in use by the Fund are shown in Appendix 1, for the principal ages and numbers of year early which will tend to arise in practice.

B. **Use of factors**: The existing factors should be used in the manner outlined in the Instruction Manual previously issued to the Fund. This paper should therefore be read in conjunction with that Manual, for the purpose of applying the new factors in practice.

C. **Existing Loading**: For the avoidance of doubt, for the purposes of this paper we have assumed that no added loading factor is currently being applied when using the existing factors i.e. the loading is currently 100% (we are aware that many funds may in the past have used loadings of 125% or 140% applicable to factors in place at that time). If this is not the case then please contact your Fund Actuary, as this would invalidate the recommendations in this paper.

D. **Proposed Loading**. As detailed above, to allow for the impact of the latest formal funding valuation assumptions we recommend that a loading is applied to the strain costs being generated by the existing factors. If the Fund or any employers use these existing factors in any spreadsheets or ready reckoners, please ensure these are updated accordingly. If you have any queries regarding their application, please contact your Fund Actuary in the first place.

E. **Testing**: We recommend the Fund carries out some testing of the new loading factor, to ensure this approach is giving reasonable results across a variety of members' ages and both genders. If you have any queries regarding these tests, please contact your Fund Actuary in the first place.

F. **Timing**: The Fund should carefully consider the date at which this new loading starts to be applied. We recommend it is applied with immediate effect, subject to issues such as:

- time to embed the new loading on to the Fund's administration system and carry out any necessary testing;
- strain cost quotes already issued (i.e. whether these should be honoured as they stand or replaced with the new loading);
- use of strain cost quotes in a manner affecting members' benefits (see (f) below);
- strain cost quotes requested but not yet issued to the employer;
- any governance processes required, such as formal approval by Section 151 Officer or Pensions Committee;
- any employer communication requirements, for instance if employers expect any changes to be notified to them before coming into effect.

There is no single correct approach, but the Fund should record (and where necessary communicate) its approach taking account of the above. If you have any queries regarding timing and process issues, please contact your Fund Actuary in the first place.

G. **Impact on members**: Allowing for the new assumptions by applying a loading to existing factors does not explicitly affect members' benefit levels in most circumstances, as they are intended to calculate the funding strain cost payable by the employer on the assumption that the member is retiring with unreduced benefits. However, we are aware that the factors may occasionally be used in a manner which potentially impacts members' benefits, for instance where the employer is considering possible early retirements but its decision will be partly cost-based, or where the member is asked to contribute to their early retirement cost. In such circumstances, applying a loading to existing factors will have an impact on whether the member is granted early retirement, or the cost to the member of that retirement. The impact will depend on the specific circumstances, and if there are any queries please contact your Fund Actuary in the first place.

H. **Ill-health strain costs**: For the avoidance of doubt, applying the proposed loading to the existing factors may be used to calculate the strain cost applicable for Tier 1 & Tier 2 ill-health early retirement cases. However, the cost of added service under Tier 1 is not explicitly matched by this approach: applying the loading to the existing Annuity Factor is likely to be appropriate albeit this does not include the cost of a dependant's pension and so will slightly understate (typically by 10-20%) the cost of that added service.

Please note that any external ill-health insurance will be affected by applying a loading to the early retirement strain cost factors, as these affect the amount of strain cost being insured and the claim payments made by the insurer. Therefore, applying the recommended loading to the factors will cause the premium rate to rise. In the interests of full disclosure, as Hymans receives commission on these premiums, then a rise in strain costs arising from applying this loading to the factors will lead to a commensurate rise in the amount of commission we receive. By instructing us to review the strain cost factors for the Fund in this report, we assume that the Fund is comfortable with this situation. We have not carried out an analysis to identify the impact for individual insured employers as part of this factors review exercise.

I. **Exit payment cap**: At the time of writing, the Government has proposed but not yet implemented legislation which would limit the award of unreduced early retirement benefits in some circumstances, due to the application of a cap (proposed at £95,000) on the combined value of an employee's severance package. We have not taken account of this legislation in the proposed loading to the existing factors, due to the lack of clarity on whether and how such regulations would apply. If and when such regulations are brought into effect, please contact your Fund Actuary to verify whether and how the use of these factors is affected.

J. **Post valuation events**. Since the most recent formal valuation date of 31 March 2022, there has been significant volatility in financial markets, short-term inflation expectations and rises in interest rates by central banks. These events affect the valuation of the Fund's liabilities and therefore also the cost of members retiring early on unreduced benefits (although the precise impact is unclear because different assumptions affect the strain cost calculation in different ways). As stated above, the proposed loading to the existing strain cost factors in this report has been calculated using the assumptions adopted for whole fund reporting at the most recent formal valuation of the Fund as at 31 March 2022. We have adopted this approach, as the assumptions are in line with those underpinning the disclosure reports for the majority of employer funding strategies as at the most recent valuation. If you wish to discuss the impact of any post valuation events on your early retirement strain cost factors or loading - either now or in future – please contact your Fund Actuary.

# Professional notes

The paper is not intended for any party other than the Fund, nor for any other purpose than determining early retirement strain cost payments, and Hymans Robertson does not accept any liability relating to any other party or purpose.

This paper is subject to and complies with the following Technical Actuarial Standards set for the actuarial profession:

- TAS 100 (Principles for Technical Actuarial Work), and
- TAS 300 (Pensions).

If there are any queries, please direct these to me or your usual Fund Actuary contact in the first place.

Douglas Green FFA

19 April 2023

For and on behalf of Hymans Robertson LLP

# Appendix

## Appendix 1 – Existing factors for early retirement strain costs

The tables below show the existing factors that the Fund is using for the purposes of calculating the strain arising on early retirement.

**Table 1: Early Retirement Reduction (ERR) factors**

| Years to Funded Retirement Date | Early Retirement Reduction Existing Factors |
|---|---|
| 0 (or past FRD already) | 0.00% |
| 1 | 3.76% |
| 2 | 7.26% |
| 3 | 10.51% |
| 4 | 13.52% |
| 5 | 16.31% |
| 6 | 18.90% |
| 7 | 21.31% |
| 8 | 22.98% |
| 9 | 24.50% |
| 10 | 25.89% |
| 11 | 27.17% |
| 12 | 28.35% |
| 13 | 29.46% |
| 14 | 30.51% |
| 15 | 31.51% |
| 16 | 32.48% |
| 17 | 33.41% |

As per our Instruction Manual:

- Different Early Retirement Reductions may apply for a member's different tranches of benefits, based on the Funded Retirement Date (FRD) as defined in the Manual. The FRD is technically slightly different from our 2022 valuation compared to the Manual, but the principles remain the same.
- ERR should be interpolated based on the number of years and complete months before FRD.

**Table 2: Annuity factors**

| Age Next Birthday | Existing Factors Male Factors | Female Factors |
|---|---|---|
| 50 | 25.71 | 27.65 |
| 51 | 25.46 | 27.42 |
| 52 | 25.19 | 27.17 |
| 53 | 24.88 | 26.89 |
| 54 | 24.55 | 26.59 |
| 55 | 24.19 | 26.25 |
| 56 | 23.65 | 25.69 |
| 57 | 23.08 | 25.11 |
| 58 | 22.51 | 24.52 |
| 59 | 21.92 | 23.92 |
| 60 | 21.33 | 23.30 |
| 61 | 20.73 | 22.68 |
| 62 | 20.12 | 22.06 |
| 63 | 19.51 | 21.43 |
| 64 | 18.91 | 20.80 |
| 65 | 18.31 | 20.17 |
| 66 | 17.72 | 19.54 |
| 67 | 17.15 | 18.92 |

The Annuity Factor to be used is that applicable to the member's age at the **next** birthday.

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Agenda Item 9

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

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