



# South Tyneside Council

## Pensions Committee

Date: 5<sup>th</sup> June 2015

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## Member Led Estimate Quotations

Report of the Corporate Director Business and Resources

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### Purpose of Report

1. Members of the Local Government Pension Scheme have a right to receive an annual benefit statement that shows their current pension benefits accrual and, for contributing members, a projection of the pension benefits they are likely to accrue at their Normal Pension Age.
2. The Fund's past practice has been to provide members with additional retirement benefit estimates at their request. This has been on a voluntary basis, as we understand that members will often need information beyond that which is contained in their Annual Benefits Statement if they are to be in a position to make informed decisions.
3. We expect that the number of members requesting additional estimates may increase significantly as a result of the Government's "Freedom and Choice" reforms that took effect from April 2016. It is possible that some members may submit multiple requests for estimate quotations and/or repeat requests in quick succession.
4. In order to manage future workload, a policy has been implemented from 1<sup>st</sup> April 2015, in consultation with the Chair and Vice Chair of the Committee, that limits the provision of retirement benefit estimates.
5. The Committee is asked to note this action.

## Background

6. Members of the Local Government Pension Scheme who have not yet started to receive payment of their pension have the right to receive an annual benefit statement, which the Fund provides.
7. Regulation 89 of the Local Government Pension Scheme Regulations 2013 states that an administering authority must issue an annual benefit statement to each of its active, deferred, deferred pensioner and pension credit members.
8. The annual benefit statement shows the member's current pension benefits accrual and, for contributing members, a projection of the pension benefits they are likely to accrue at their Normal Pension Age.
9. Members do not have a right to demand additional retirement benefit estimates, although we have previously responded to member requests on a purely voluntary basis and as resourcing has allowed.
10. Numbers of member led retirement benefit estimate requests have, until now, been relatively few and repeat or multiple requests have been uncommon. This position may change from April 2016 when the Government's "Freedom and Choice" reforms come into effect.
11. The processing of member led retirement benefit estimates is resource intensive and will seriously impact on the timely completion of other areas of work if significant numbers of multiple or repeat requests become the norm.
12. This will compound the problems from what will already be a very heavy workload, resulting from the extremely detailed due diligence work that is required to ensure that transfer requests by members looking to access the new Freedom and Choice opportunities comply with all legal requirements and to identify inappropriate and/or illegal "pension liberation" type scams.
13. Due to the small numbers of member led retirement benefit estimate quotation requests previously received, it has not been necessary to decide a policy on whether to apply a limit on how often a member is allowed to request retirement benefit estimate quotations. It is expected, however, that this will become an issue and a policy is now required.

## Approach at other major funds

14. We have asked the other metropolitan funds whether they have adopted a policy to limit the frequency that a member can request retirement benefit estimates.

15. Four of the five funds have imposed limitations.
16. The Greater Manchester, Merseyside and West Midlands Funds all restrict their members to one retirement benefit estimate request within a twelve month period.
17. The South Yorkshire Fund restricts the provision of retirement benefit estimates to employer sanctioned requests.
18. The fifth fund, West Yorkshire, is currently considering whether it should adopt a policy.

### Technical Issues

19. Due to the way that pensions accrue under the new Career Average rules, the results for any retirement benefit estimate will become increasingly less accurate the further the chosen leave date is into the future.
20. This is because
  - The calculation projects forward from the last pay the member has received to the chosen retirement/payment date using current annual pay. As the period extends, this is increasingly likely to differ from the pay the member will, in reality, receive.
  - At the end of each March falling within the period to the chosen retirement/payment date, the benefits the member has accrued will be increased by the CARE Revaluation factor for that year. The estimate cannot anticipate these awards.
  - For retirement calculations that involve the use of reduction factors, these factors are subject to periodic review and so it is increasingly likely that, the further the chosen retirement/payment date is into the future, the reduction factors may in the intervening period be changed. If this were to happen it would invalidate the estimate's calculations.

### Revised Policy

21. In order to manage future workload, the following policy has been implemented with effect from 1<sup>st</sup> April 2015:
  - Members shall not be entitled, in respect of any set of pension rights that they hold, to apply for another retirement benefit estimate quotation within twelve months of having requested a quotation.
  - Members may specify only one chosen retirement or payment date at each request and, to ensure that the figures provided within the

estimate will be reasonably reliable, the retirement/payment date specified must be no more than 18 months in advance of the date of the request.

22. The policy has been implemented in consultation with the Chair and Vice Chair of the Committee.

### **Recommendation**

23. The Committee is asked to note this action.

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## Member Led Estimate Quotations

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**The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:**

<b>Background Paper</b>	<b>File Ref:</b>	<b>File Location</b>
Freedom and Choice Reforms file	N/a	Pensions Office Town Hall and Civic Offices