

**INFORMATION BULLETIN: RECENT DEVELOPMENTS**

The following topics have been identified as being of interest to the Committee. Councillors wanting further information on any of the items in this Bulletin are advised to contact Paul Finbow, Corporate Finance Specialist by telephone on 01473 265288, or via email [paul.finbow@suffolk.gov.uk](mailto:paul.finbow@suffolk.gov.uk) .

**ADMINISTRATION UPDATE**

- At the 29th September 2014 meeting the Committee approved proposals relating to the operation of the administering authority's discretionary decisions in respect of the pension scheme. Following a request from the employee representative the Committee requested more information on the background to the operation of one of those discretions:

<b>TITLE and REGULATION</b>	<b>DISCRETION</b>	<b>OPERATION</b>
<b>Membership before 1<sup>st</sup> April 2014</b> 2014 – Transitional regulation 3 (13) 2008 – Regulation 70 (1) and 71 (4) (c) 1997 – Regulation 109 and 110 (4) (b)	Decide policy on abatement of pre 1 <sup>st</sup> April 2014 element of pensions in payment following reemployment	<b>If a pensioner is reemployed in a local government employment and the total of their pension and their new salary exceeds their salary at the date of their first retirement, the pension will be reduced by the excess</b>

- For clarity, the above does not apply where a member has retired under the flexible retirement provisions of the local government pension scheme regulations. These flexible retirement provisions are at the employers' discretion and are set by each employer in the pension fund.
- The administering authority discretion relates to cases where there is a change of employment, often with a few years gap between employments. The operation of this discretion continues the existing operation and follows from when the position was set by the regulations. The regulations as set at the time were in place to set a ceiling on payments to individuals receiving both a pension and a salary from public funds.
- Other administering authorities operate this policy differently and have determined that there should be full, partial or no abatement on re-employment. Some of these scenarios are:

- To abate in every circumstance;
  - Not to abate, except where compensatory added years have been awarded, where it is mandatory;
  - To abate only for cases since a recent policy change;
  - To abate only where the member retired from the original position under redundancy/ill-health grounds
5. For the Suffolk Fund in the two years to January 2014 there were 12 new cases and the abatements for this period amounted to £39,599. This is in addition to the pre-existing cases where abatement applies. An example of just one of the pre-existing cases shows a saving for the pension fund of £118,088 over 10 years.
6. Abatement does not apply for pensions accrued on and from 1st April 2014 and the number of new cases is therefore expected to remain at the same level for the immediate future and then reduce over the years as the proportion of retiree's benefits in the 2014 scheme increases.

### **Paying pensioners living abroad**

7. As reported to the 2nd June 2014 Committee, the overseas banking provider was changed from Citibank to Western Union. This has resulted in significant benefits to the administering side of these payments. In particular there is now more information to hand which provides transparency on what payments are being made, what date they are being made as well as the exchange rate an individual Pensioner has received. Access to the relevant area of Western Unions website via secure login allows changes to be made to records giving total control over payments. This is a significant improvement to the limited information that was available with the previous provider.
8. Pensioners themselves also benefit from this change and in particular they are no longer charged a transaction charge as they previously were on each monthly payment. All pensioners affected were made aware of the change and communications are being monitored to ensure Pensioners are happy with the service they are receiving.
9. Another significant benefit is the offer of an 'Existence' check on the pensioners who live abroad. This is the first time access to this type of facility has been available and enables a check to be made to ensure the person receiving the money each month is entitled to it. The process involves withholding an amount of pension until the pensioner collects this from a designated agent from Western Union after proving their identification. This will be applied to all pensioners living within 5 miles/km of a Western Union outlet. Before the exercise begins Western Union will run a check to ensure nobody is required to travel further than this. If so a decision will be taken on an individual basis.

10. This check will provide confidence that there are no fraudulent cases of individuals taking money not due to them. The cost to do the check is £20 per person. The total cost to the Fund will be £1,800 for those currently receiving payments via Western Union. The total gross annual payment to these pensioners abroad is approximately £518k.
11. In addition there are a further 155 pensioners who live abroad but have their pensions paid into a UK account. It is also possible in these cases to pay a part payment to Western Union for one month allowing the above check to be carried out for these pensioners too. This would cost a further £3,100 and would cover a gross annual payment of approximately £760k
12. The County Council takes part in the National Fraud Initiative every two years as required by the Audit Commission. Details of pensioners are provided so that they can be compared to information provided by other public bodies. This ensures, for pensioners living in the United Kingdom, that no pensions are being paid to persons who are no longer entitled to them. The above checks will give the same assurance in respect of pensioners living abroad.

### **Actuarial Update**

13. The Fund's Actuary, Hymans Robertson LLP produce a Navigator Report to monitor the actuarial position of the Fund on a quarterly basis, please see **Appendix 1**. The report shows a snapshot of the funding level and indicates whether the current financial position is in line with the actuarial projections at the last actuarial valuation.
14. The current estimated position for September 2014 shows a funding level of 82.6% (85.3% June 2014), an improvement against the 79.1% from the valuation exercise in March 2013.
15. An increase in bond yields and a higher discount rate places a lower value on the Fund's liabilities and are the main contributors to the funding position movement between March 2013 and September 2014.

### **Pension Fund Custodian Services**

16. HSBC took over the contract to provide custodian services to the Pension Fund from the 1 October 2014. The assets were transferred at this date and the service from HSBC is now being delivered.

### **Voting of Fund shareholdings for quarter to September 2014**

17. The Pension Fund Committee uses the services of Pension Investments Research Consultants (PIRC) to advise it on matters relating to resolutions at annual general meetings in the companies where the Fund has

shareholdings and to implement the Committee's policy in relation to voting its shareholdings.

18. A summary of the voting activity of the Fund in the quarter to September 2014 is set out at **Appendix 2**. A full analysis of all the oppose votes that have been cast by the Pension Fund in the quarter will be published on the pension fund's website ([www.suffolkpensionfund.org](http://www.suffolkpensionfund.org)).

<b><u>SOURCES OF FURTHER INFORMATION</u></b>
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