

Report Title	Pensions Administration Report from 1 October to 31 December 2018	
Originating service	Pension Services	
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Recommendation for decision:

The Committee is recommended to:

1. Approve the write-offs detailed in section 11 of this report.

Recommendations for noting:

The Committee is asked to note:

1. The applications approved by the Director of Pensions and the Chair or Vice-Chair of Pensions Committee for admission to the West Midlands Pension Fund.
2. The pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund), in particular the continued increasing work volumes.

1.0 Purpose

1.1 To inform Committee of the work undertaken by the pensions administration service during the period 1 October to 31 December 2018 for both the Main Fund and the West Midlands Integrated Transport Authority (WMITA) Fund.

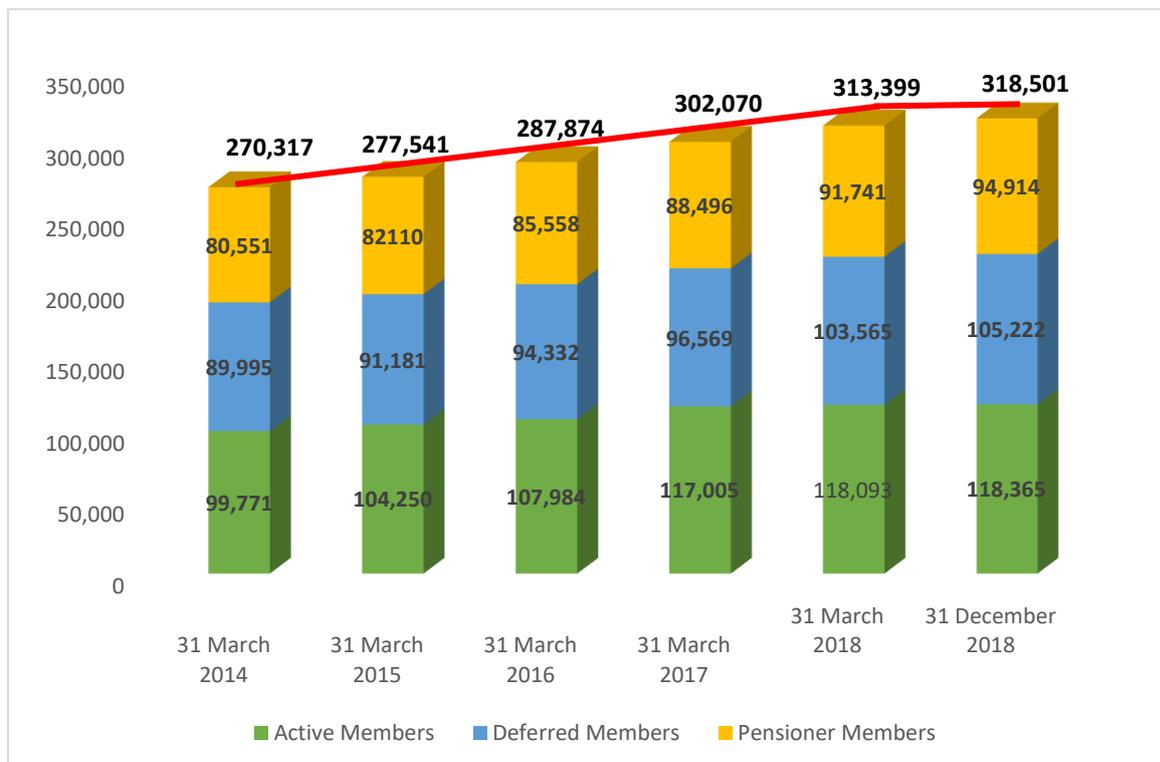
2.0 Background

2.1 The Fund provides a pension administration service to its stakeholders, which covers employer, customer and member services, data management, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to cover the activity and performance of these functions during that period.

3.0 Scheme Activity

3.1 Membership movement – Main Fund

3.1.1 The total number of scheme member records in the Fund at 31 December 2018 stands at 318,501, with an overall increase since September 2018 of 33. The long-term trend over a 12 year period in membership is set out in Appendix A which illustrates a move towards a more mature profile whereby in general pensioners and deferred membership continues to rise. For the second reporting period since 2011, active membership has decreased, this is attributable to a reduced number of new joiners to the scheme (56% reduction compared to the previous quarter).



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	Membership as at 30 September 2018	Net Movements during the period	Membership as at 31 December 2018
	Total	Total	Total
Active Members	120,348	-1,983	118,365
Deferred Members	104,715	507	105,222
Pensioner Members	93,405	1,509	94,914
Total Members	318,468	33	318,501

3.1.2 The above table shows the membership movement as at two points in time, during this period the member may have changed status a number of times. For example, a member may join after the initial reporting date and become deferred within the same reporting period. Other member movements which are not represented in the above table include where members leave the scheme with no entitlement to future benefits on their record (i.e. opt out of the scheme and are refunded their contributions, transfer their benefits out to another scheme or become deceased). Upon the death of a member, more than one additional member (beneficiary) record can be created. Following the request at the last Committee meeting, a breakdown of the membership movements for the previous reporting period (June – September 2018), and this reporting period (September – December 2018) are detailed in Appendix A1.

3.2 Membership movement – WMITA Fund

3.2.1 The number of scheme member records in the WMITA Fund in all three categories stood at 4,961 on 31 December 2018, 6% are active members, 14% are deferred and the largest group are pensioner members at 80% of the total membership. The Fund is closed to new joiners but active members continue to accrue benefits. Detailed below are the current membership numbers showing movements between 30 September 2018 and 31 December 2018.

	Membership as at 30st September 2018			Net Movements during the period			Membership as at 31st December 2018		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	331	0	331	-10	0	-10	321	0	321
Deferred Members	678	11	689	-16	0	-16	662	11	673
Pensioner Members	3842	119	3961	8	-2	6	3850	117	3967
Total Members	4,851	130	4981	-18	-2	-20	4833	128	4961

3.3 Workflow statistics – Main Fund

3.3.1 The process analysis statistics (Appendix B) show details of overall workflow within the Pensions Administration Service during the period 1 October to 31 December 2018.

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- 3.3.2 During the period covered by this report, 39,751 administrative processes were commenced, a 21% decrease compared to the previous reporting period and 36,541 processes were completed, a 17% decrease compared to the previous reporting period. On 31 December 2018 there were 41,512 items of work outstanding. This represents an increase of 357 items outstanding compared to 30 September 2018 (41,155). This is a significantly lower increase than previous reporting periods. Of the 41,512 items of work outstanding, 5,096 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities. Within pensions administration, 36,416 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.3.3 The number of active processes remains high. For 2018/2019 year to date the Fund has seen an overall increase of 14% in the number of processes started compared to equivalent period for 2017/2018. The Fund is also responding to this increase in workload and has also increased the number of processes it is completing. The total number of processes outstanding remains high and the key areas of significant volume include early leavers (deferments and refunds), deferred retirement quotes and transfers in and out of the scheme. This increase represents a combination of;
- Member led work, i.e. following disclosure mailings and change in regulations
 - The targeting of certain processes to update member records, which is expected to support in the reduction of outstanding work in the longer term
 - The work with employers to target historical data quality issues, which is likely to continue for a period but will support the long term position for the Fund.
- 3.3.4 The Fund continues to review the volumes of incoming work and is putting in place plans to address key high volume areas. System development is being investigated as part of the Digital Transformation Programme, in a number of areas to provide longer term, cost-effective support for increasing volumes of benefit processing work. Key areas include automation of processing and bulk working and increased self service to enable deferred members to produce quotes via the member portal.
- 3.3.5 Following the Budget on 29 October 2018, it was announced that the SCAPE discount rate (underpinning a number of scheme benefit calculations including internal and external (CETV) transfers) will change with effect from this date. The SCAPE discount rate has reduced from CPI +2.8% to CPI +2.4% and is used to determine the actuarial factors used across all public service pension schemes. The new factors were received in phases in December and February and during this period the Fund were unable to process transfers/interfunds and quotations for divorce purposes, and these cases are now being worked through with an expected completion of end of April.
- 3.3.6 A detailed analysis of the key processes completed across all operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in Appendix C.

3.4 Workflow statistics – WMITA Fund

- 3.4.1 During the period covered by this report, 484 administrative processes were commenced and 486 completed. On 31 December 2018 there were 145 items of work to be processed.

3.5 Key Performance Indicators (KPIs)

- 3.5.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements.
- 3.5.2 There are a number of KPIs which have been cumulatively achieved throughout the year to date, including the management of death cases, payment of retirements (active and deferred), payment of refunds and transfers.
- 3.5.3 The increase in volumes of work have impacted on the Fund's ability to meet three of our key performance indicators.
- Notification of refund – During this reporting period 28% more cases were processed than the previous quarter, with an overall averaging processing time across all cases of 16 days. Work has been undertaken to review the cases which have not met the targeted timescales of 10 days and measures put in place to improve performance going forward.
 - Notification of estimated retirement benefits – the performance relative to this indicator has continued to increase during the reporting period, with an overall averaging processing time across all cases of 16 days. A number of cases which missed the targeted timescales of 15 days were due to the requirement to query information with employers. Further engagement is underway with employers to ensure that any delay to members is minimised, and a review of the key trigger points for the KPI to improve future reporting on Fund performance.
 - Deferred Retirement Quotes - the amendment to the scheme regulations, allowing deferred members to access their benefits at the age of 55, resulted in the Fund initially receiving approximately 1100 requests for quotes. Fund staff worked additional hours to support in managing these cases. On average, the Fund continues to receive an additional 150 quote requests each month, in addition to business as usual work.
- 3.5.3 Further information on KPIs by process by month over 2018/19 is included in Appendix D.

3.6 Customer services

- 3.6.1 An overview of our front-line customer contact activity is shown in Appendix E. This outlines the variety and volume of support provided by the Fund to address members' pension queries. An indication of the statistics for the previous year are included within the charts as a comparative measure.
- 3.6.2 There has been a noticeable increase in contact from members across most channels (post, secure messages, reception visits) compared to the same period in 2017. Pensions have become increasingly topical, with adverts regularly in the press and more members considering their options in light of economic uncertainty. Automatic-enrolment and Freedom & Choice also have a part to play, along with our improved Customer Engagement Plan increasing member coverage.

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- 3.6.3 Over the last quarter, our contact us pages on the Website and the Pensions Portal have promoted the use of secure messaging (rather than email). As a result, we have seen an overall reduction in the number of emails sent to the Fund, and a notable increase in the number of secure messages received. Secure Messaging is a secure and more efficient way for customers to ask us questions about their individual circumstances, therefore work will continue to promote this type of contact.
- 3.6.4 The most popular queries to our contact centre are:
- Customers following up on an existing individual member benefit process
 - Enquires about accessing pension benefits
 - Requests for Pensions Portal support
 - Members updating their personal details
 - Request for support with a Fund Letter/Form
- 3.6.5 The Fund is exploring ways in which efficiencies can be identified to manage the customer contact received. Potential improvements in both our systems and internal processes are being investigated with improvements planned as part of the Fund's Digital Transformation Programme and through the Fund's internal website review project. A 'post retirement' survey has been developed and was first issued in February 2019. As a result, we are hoping for results that showcase the customer experience whilst highlighting our strengths and any gaps in the service we deliver. This feedback may highlight business improvements that we can make to ensure members receive everything they need at the first point of contact, increasing self-service in this area.
- 3.6.6 In the previous quarter, the team experienced a level of turnover which impacted our ability to meet Key Performance Indicators, particularly during October which was a busy month following the issue of bulk benefit statement production and newsletter mailings. Recruitment was successful and new staff training continued throughout this period.
- 3.6.7 From the end of October to early November, staggered e-newsletters were issued to our active and deferred membership. This highlighted awareness on a number of topical issues and included a promotion for the Fund's Pensions Portal. This generated an increase in customer contact, predominately for retirement requests and Pensions Portal support.
- 3.6.8 Work is ongoing to improve the member information contained within the Fund's website to increase the ability of members to self-service at peak or out of hours times. Additional care is being taken with the layout of member information, ensuring the site is as intuitive as possible. Additional links will also be made to the LGPS member site which details key scheme information for each stage of the retirement journey.
- 3.6.9 All pension fund enquiries received are acknowledged or responded to by the Customer Services Team. The general enquiry emails which aren't resolved immediately are referred to the relevant specialist area and/or are added to an existing benefit operation/payroll process as they require action or more detailed investigation. These again, are monitored and reviewed by the relevant teams.

4.0 My Pensions Portal and Employer Web

4.1 Work is continuing to increase awareness of the My Pensions portal facility for members and Employer Web for employers. There are, as at 31 December 2018, over 74,211 members registered to use the web-portal. Between the period 1 October to 31 December 2018, 4,364 members initiated web registrations (809 of which have not activated their accounts). A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered

WMITA - 926

WMPF – 73,285

4.2 Since the relaunch of My Pensions Portal there has been a marked increase in member registrations.

5.0 Complaints

5.1 The Fund has developed a complaints monitoring framework, which enables regular monitoring and reporting of the volumes and key trends for the key performance indicator.

5.2 The most frequent complaint area in this period relates to delays/processing timescales. As previously mentioned, over the quarter, we were instructed to freeze outgoing transfers as the Government Actuary Department were updating the scheme's 'discount rate', one of the factors used to calculate a transfer which impacted this area. The second frequent complaint relates to member's disagreeing with the principles of the regulations (e.g. a member wants their pension out as cash but the regulations don't allow this). Work is underway to review the member pages of the website to assist with member pension education. Our Member Services Team already provide a wide range of face to face of pension education events such as Presentations, Roadshows and drop in sessions.

5.3 Complaints that highlight an improvement area are being investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as per our Customer Engagement Strategy.

6.0 IDR (Internal Dispute Resolution Procedure) casework

6.1 In the 2018/2019 financial year there has been two cases referred to Stage one of the procedure against the Fund, both cases have been subsequently dismissed.

6.2 One case has progressed to stage two of the procedure against the Fund, and this has been dismissed.

6.3 Two cases have been received for Stage two investigation against the employers, which includes one new case received during the reporting period. Overall one case has been dismissed.

6.4 The case dismissed at stage two against the employers related to terms of leaving employment and early access to retirement benefits.

6.5 The Fund are noticing a reduction in the number of appeals against the employers for early payment of deferred benefits since the change of Regulations and deferred members can take their benefits early from age 55 without employer consent.

7.0 Death grant

7.1 In this financial year no new cases have been referred to the Legal Department for consideration. These are being reviewed on a case by case basis in line with the agreed policy and case matrix.

8.0 Employer membership

8.1 The Main Fund continues to see an overall upward trend in employer numbers, with an increase of 11 employers over the previous quarter, due mainly to the establishment of academies and outsourced local government contracts, with 14 new organisations being admitted during the period 1 October to 31 December 2018. The current number of employers as at 31 December is 658, a 55% increase since March 2014 as shown in the graph below.



The level of on-going work being processed at the end of the period is as follows: -

- 105 admission agreements
- 31 academies
- 40 employer terminations

9.0 Application for admission body status

- 9.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Main Fund following Pensions Committee approving the applications. Sometimes a decision is required which is not compatible with the cycle of Pensions Committee meetings. In these circumstances, Pensions Committee has delegated responsibility for approving such applications to the Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee.
- 9.2 There have been 7 approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund which have been approved by the Director of Pensions and either the Chair or the Vice Chair of Pensions Committee. Please see Appendix G for details.

10.0 Pensions in payment

10.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to December 2018 was £491.7m, £16.5m of which (£8.3m for pensions increase and £8.2m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

10.2 Monthly payroll details for the Main Fund were:

Month	Number	Value £
October 2018	78,436	34,824,425
November 2018	78,767	34,999,661
December 2018	87,167	35,878,676

The December figure includes pensioners paid on a quarterly basis.

10.3 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to December 2018 was £26.3m, of which no further recharges for added year's compensation will be made to employing authorities and other bodies as the member and beneficiary are deceased.

10.4 Monthly payroll details for the WMITA Fund were:

Month	Number	Value £
October 2018	3,890	1,950,828
November 2018	3,891	1,930,649
December 2018	3,959	1,953,825

The December figure includes pensioners paid on a quarterly basis.

11.0 Write-off policy decisions

A write-off relates to pensions overpaid to members, after following the debt recovery policy, these cases become uneconomical to pursue or the estate has insufficient funds to recover. In general, an overpayment is generated by late notification of death of members.

A write-on relates to monies due to the members estate in order to make pension payments up to date of death. After correspondences, the legal representative is untraceable or does not wish to claim the funds.

11.1 Write-off analysis

The following write-offs of pension payments are reported in line with the Fund's policy:

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	0	0	0	0.00
£100 - £500	5	3188	2	523.97
Over £500	15	37534	0	0.00
TOTAL	20	40,722	2	523.97

11.2 Write-on analysis

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	3	54	1	36.48
£100 - £500	1	106	0	0.00
Over £500	0	0	0	0.00
TOTAL	1	160	1	36.48

12.0 Transfer Out Cases

- 12.1 During the period 1 October to 31 December 2018, 342 transfer values were issued to members considering transferring their benefits out of the scheme.
- 12.2 Over recent months there has been increased focus by both the Pensions Regulator and the Financial Conduct Authority on the risk of fraud in transfers. This can often take the form of cold calling, promises of high or guaranteed returns, “free” pension reviews or early access to pensions, i.e. before minimum pension age of 55. The Fund takes a number of measures to ensure members have information in order to make an informed decision on whether to transfer their benefits. The Fund provides as part of the standard information with all transfer quotations a copy of the Pension Regulators guidance on how to avoid scams. Members are sign-posted to free independent and impartial bodies such as the Pensions Advisory Service. The Fund undertakes a number of checks to ensure that any schemes to which transfers take place are registered under the Finance Act 2004, that schemes are registered with HMRC and have the appropriate tax reference number. Where independent financial advice is provided, the FCA register is checked to see if that adviser is permitted to give advice regarding pension matters. Any suspected scams identified are flagged to the Governance team at the Fund for further investigation.
- 12.3 In total 67 transfer payments made during the period 1 October 2018 to 31 December 2018 resulting in a total amount transferred of £2,814,899.84 (previous 1 October 2017 to 31 December 2017 a total of £5,086,859.85 was transferred out). The reduction in the amount of payments are due to the suspension of processing transfer calculations from 29 October 2018 whilst waiting for updated factors from GAD as a result of the changes to the discount rate for all public service pension schemes. When transferring benefits, which are greater than £30,000 members are required to take independent advice, the majority of payments the Fund processes are below this amount. This amount is broken down as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	47
£30,001 to £100,000	9
£100,001 to £200,000	6
£200,001 to £300,000	4
£300,001 to £400,000	0
£400,001 to £500,000	0
Above £500,001	0
Total	67

13.0 Financial implications

- 13.1 The report contains financial information which should be noted.
- 13.2 Employees of organisations who become members of the Local Government Pension Scheme will contribute the percentage of their pensionable pay as specified in the Regulations. The Fund’s actuary will initially, and at each triennial valuation, set an

appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

14.0 Legal implications

14.1 The Fund on behalf of the Council will enter into a legally binding contract with organisations applying to join the Local Government Pension Scheme under an admission agreement.

15.0 Equalities implications

15.1 This report has implications for the Council's equal opportunities policies, since it deals with the pension rights of employees.

16.0 Environmental implications

16.1 The report contains no direct environmental implications.

17.0 Human resources implications

17.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees.

18.0 Corporate landlord implications

18.1 The report contains no direct corporate landlord implications.

19.0 Schedule of background papers

19.1 None.

20.0 Schedule of appendices

20.1 Appendix A: Overall membership numbers

20.2 Appendix B: Process analysis

20.3 Appendix C: Detailed process analysis

20.4 Appendix D: Key performance indicators (KPIs)

20.5 Appendix E: Customer service statistics

20.6 Appendix F: Admitted Body Applications