



Pensions Committee

21 June 2017

Report Title	Pensions Administration Report from 1 January to 31 March 2017	
Originating service	Pension Services	
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Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for action or decision:

The Committee is recommended to:

1. Approve the write-offs detailed in section 8.0 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).

1. Purpose

- 1.1 To inform Committee of the work undertaken by the pensions administration service during the period 1 January to 31 March 2017 for both the Main Fund and the WMITA Fund.

2. 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. Scheme Activity

3.1 Membership movement – Main Fund

- 3.1.1 The total number of scheme members in the Fund at 31 March 2017 stands at 302,093, with an overall increase since December 2016 of 5,551. 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, active memberships are falling and pensioners and deferred membership increasing. Over the course of the last four years, however, the number of active membership records has increased. We expect the active membership numbers to fall as many employers continue to reduce head count but note the combination of members with multiple posts, auto enrolment and a lag in receipt of joiner/leaver information mean this is not yet fully reflected in Fund data.

3.2 Membership movement – WMITA Fund

- 3.2.1 The number of scheme members in the WMITA Fund in all three categories stood at 5,070 on 31 March 2017, 8% are active members, 16% are deferred and the largest group are pensioner members at 76% of the total membership. The Fund is closed to new joiners but active members continue to accrue benefits. Detailed below is the current information showing movements between 31 December 2016 and 31 March 2017.

	Membership as at 31st December 2016			Movements during the period			Membership as at 31st March 2017		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	422	0	422	-20	0	-20	402	0	402
Deferred Members	772	16	788	-8	-1	-9	764	15	779
Pensioner Members	3,760	118	3,878	12	-1	11	3,772	117	3,889
Total Members	4,954	134	5,088	-16	-2	-18	4,938	132	5,070

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 January to 31 March 2017.
- 3.3.2 During the period covered by this report 39,072 administrative processes were commenced and 34,091 completed. On 31 March 2017 there were 32,486 items of work outstanding. Of this, 4,179 items were in pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities. Within pensions administration, 32,486 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. From 1 January to 31 March 2017, the Fund has seen an increase in the volumes received. The total number of processes outstanding remains high as part of the increased focus on data quality. A number of additional processes have been started to action work relating to historic outstanding data employers are providing and to address known issues in relation to current routine submissions. We also continue to see the impact of the 2014 scheme changes where members were given the choice to aggregate their benefits rather than this happening automatically. This has resulted in higher volumes of processes remaining uncompleted until member elections are received or 12 months lapses.
- 3.3.4 The Fund is implementing a number of work programmes of target key processes where high volumes exist. Key areas of focus this quarter include the transfer of benefits to other schemes. Transfer to non Local Government pension schemes are back within the appropriate KPI with high volumes cleared, and the team is now targetting transfers to other Local Government funds. The increase in volume of deferments is being addressed, with an extra 1,500 cases processed in the period up to 31 March 2017 in addition to business as usual.
- 3.3.5 A detailed analysis of the key processes 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 568 administrative processes were commenced and 588 completed. On 31 March 2017 there were 119 items of work outstanding.

3.5 Employer membership data

3.5.1 The Main Fund continues to see an increase in employer membership, due mainly to the establishment of academies and outsourced local government contracts, with 26 new organisations being admitted during the period 1 January to 31 March 2017. The current number of employers as at 31 March 2017 is 605. The level of on-going work being processed at the end of the period is as follows:-

- 57 admission agreements
- 36 academies
- 55 employer terminations

For more information see paragraph 6.

3.6 Customer services

3.6.1 An overview of our front-line customer contact activity is shown in Appendix D. 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 is included within the charts as a comparative measure.

3.6.2 We continue to provide a high response rate at first point of contact for telephone calls and pension fund enquiry emails. The Fund met the Key Performance Indicator (KPI) of 85% or above for call response rate, achieving an average of 90.27% during the period 1 January to 31 March 2017.

3.6.3 The majority of pension fund enquiries received (97.7%) are responded to within 10 days by the Customer Services team. Those emails which aren't resolved immediately start a new process on the UPM administrative system or are added to an existing operational/payroll process as they require completion by the Operational or Payroll teams. These include requests for transfer values to be calculated, retirement forms etc.

3.6.4 During the period 1 January to 31 March 2017, the team received an increase in the number of enquiries received. The increase was largely due to the number of member queries following the announcement of employer redundancy programmes taking place. We are continuing to see a trend of increasing customer enquiries including a preference for electronic communications among members.

4. IDRP (Internal Dispute Resolution Procedure) casework

4.1 In the 2016/2017 financial year there have been four cases referred to Stage one of the procedure against the Fund. All four cases have been dismissed.

4.2 The cases dismissed at stage one related to:

- A member being unable to take 25% tax free cash from the AVC as the member was not eligible to take their main scheme benefits.
- A member who retired on flexible retirement and received reduced benefits.
- A member who's service was incorrectly calculated in their deferred benefits.
- A member that was unable to transfer out their deferred benefits as they had active membership.

4.3 Eighteen cases have been received for stage 2 investigation. Fifteen cases have been dismissed. Three cases have been upheld.

4.4 The cases dismissed at stage 2 related to the following pension issues:

- Exercise of employer discretion on the early payment of deferred benefits from age 55.
- Additional pension not awarded by the employer.
- Transfer of previous pension benefits not allowed to proceed as outside the 12 month period.
- The Tier of ill-health awarded.
- Incorrect estimate provided by an employer.

4.5 Two of the cases upheld were relating to ill-health and the other one was regarding delayed payment of AVC benefits. In relation to the ill-health case, the Pensions Ombudsman specifically mentioned there was an appearance that the employer had made no decision relating to the ill-health and had solely relied on the decision made by the registered medical practitioner.

5. **Death grant**

5.1 In this financial year three cases have been referred to the Legal Department for consideration. One case is ongoing and the other cases have successfully been resolved.

6. **Application for admission body status**

6.1 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.

- 6.2 The table below lists the applications received 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.

Employer name	Guarantee Status (Agreement)	No of employees (Scheme members) Agreement type	Status
Miquill Catering Ltd (Colton Hills Community School)	Wolverhampton City Council	10(2) Closed	Approved
Miquill Catering Ltd (Woodfield Junior School)	Wolverhampton City Council	8(8) Closed	Approved
Dolce Ltd (New Ossett School)	Birmingham City Council	TBC Closed	Approved
Aspens-Services Ltd (Joseph Leckie Academy)	Joseph Leckie Academy	11(10) Closed	Approved
Aspens-Services Ltd (Springfield House Community Special School)	Birmingham City Council	6(5) Closed	Approved
Aspens-Services Ltd (Paganel Primary School)	Birmingham City Council	7(3) Closed	Approved
Aspens-Services Ltd (St Martin's MAT)	St Martin's MAT	11(9) Closed	Approved
Dovetail Group (UK) Ltd (Dorridge Primary School)	Solihull MBC	1(1) Closed	Approved

7. Pensions in payment

7.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to March 2017 was £412m, £16.8m of which (£8.1m for pensions increase and £8.7m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

7.2 Monthly payroll details for the Main Fund were:

Month	Number	Value £
January 2017	74,455	31,608,086
February 2017	74,555	31,685,048
March 2017	88,193	32,670,125

The March figure includes pensioners paid on a quarterly basis.

7.3 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to March 2017 was £23m, of which £4,500 for added year's compensation was recovered from employing authorities and other bodies as the expenditure was incurred.

7.4 Monthly payroll details for the WMITA Fund were:

Month	Number	Value £
January 2017	3,807	1,839,247
February 2017	3,814	1,840,566
March 2017	3,872	1,855,315

The March figure includes pensioners paid on a quarterly basis.

8. 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.

8.1 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	6	178	0	0
£100 - £500	7	1,285	0	0
Over £500	5	10,894	0	0
TOTAL	18	12,357	0	0

8.2 Write-on analysis

	Main Fund		WMITA Fund	
Individual Value	Number	Total	Number	Total
Less than £100	4	145	0	0
£100 - £500	0	0	0	0
Over £500	0	0	0	0
TOTAL	4	145	0	0

9. Member and Employer Engagement

9.1 Web Portal

- 9.1.1 Work is continuing to increase awareness of the web portal facility for members and employers. There are currently over 46,000 members registered to use the web-portal facility with just under 29,000 of those having been authenticated as at 31 March 2017. A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered and authenticated

WMITA - 652

WMPF – 28,270

- 9.1.2 With the Fund increasing the functionality available on web portal and electronic working, we continually seek feedback on the services provided by the web portal to ensure they meet user's needs. As part of this review, the Fund have improved the registration process for members, enabling the issue of activation codes to authenticate accounts via email rather than through the post. This change not only reduces work for Fund Officers, but is a more efficient process for the member. Initial feedback is that this change has been welcomed by members. The Fund continues to review and simplify the web portal with improved registration and a wider upgrade planned for late 2017.

9.2 Member Services

- 9.2.1 In total, the Member Services Team has assisted 1291 members with pension related information over this period.

9.2.2 Presentations

Fund officers have continued to deliver presentations upon request from employers. The team provide support on a variety of pension topics that are requested by an employer for their employees.

The emphasis during this reporting period has been:

- Planning, developing and enhancing our service.
- Supporting those members who are at risk of redundancy or maybe facing reductions in pay.
- Providing support and guidance to members at local authority depot sites using the Pension Roadshow Bus.
- Planning and delivering joint Fund and Prudential events.
- Providing an overview of the scheme and communicating the benefits the scheme offers.

A total of 63 Fund presentations were delivered to 413 attendees, these presentations were held at a variety different employers, including the district councils, universities, schools/academies and other admitted bodies.

The feedback from these presentations was 51.3% of the members rated them as excellent, 35.2% as very good and 13% as good and 0.5% as satisfactory.

The Fund works in partnership with Prudential to deliver a joint presentation covering how the Scheme works and tax efficient methods of saving towards the future. During this period 21 of these presentations were delivered across 7 employers, 395 members attended.

9.2.3 Roadshows

During this reporting period the Fund started to deliver Roadshow events at our local authority sites. The roadshow Statistics for this reporting period are:

Location	Attendees
Coventry C.C.	72
Walsall M.B.C.	75
Birmingham C.C.	48
Totals	195

9.2.4 Additional Support

Further support has also been provided to members either through drop in sessions or scheduled one to one support sessions. In total, additional support was delivered to 288 members on an individual basis.

10. GMP Reconciliation

- 10.1 Contracting out of the state second pension (formerly SERPS) on a Guaranteed Minimum Pension (GMP) basis operated between 1978 and 1997. However, in April 2016 the Government replaced the earnings-related state pension arrangements with a single-tier State Pension.
- 10.2 The introduction of the single-tier state pension from April 2016 has brought about the end of contracting out for defined benefit (DB) schemes and has triggered a requirement

for schemes to reconcile their contracted out membership and GMP records with those held by HM Revenue & Customs (HMRC).

- 10.3 GMP reconciliation allows administrators to check their contracted out records against those held by HMRC, resolving any differences between the two sets of records. HMRC have set up a Scheme Reconciliation Service (SRS) to assist pension scheme administrators to reconcile their records for all non-active members (which includes; Early leaver, Pensioner, Widow, Widower/Civil Partner, Incomplete record) against HMRC records.
- 10.4 This work for the Fund is being managed in 3 key stages:
- Stage 1: Comparison of the HMRC data with the Fund data and analysis of mismatches on members, contracted out dates and GMP amounts.
 - Stage 2: Resolving disputed membership and agreeing GMP amounts.
 - Stage 3: Updating the pension administration system and performing rectification calculations where necessary.
- 10.5 Stage 1 has been completed for deferred and pensioner members, stage 1 for active members is being progressed Stage 1 involves the reconciliation of the data it holds against the record of HMRC and has engaged with a third party reconciliation provider, who are completing a detailed analysis of the two sets of data. To date 46,000 discrepancies for non active members have been raised with HMRC, current turnaround times for HMRC responses are 4 to 8 months.
- 10.6 The Active member data was received from HMRC on 4 April 2017. The Fund is considering the options available for reconciliation of the active data but it will broadly need to mirror the 3 stages of the reconciliation process for the non active member data.
- 10.7 In February 2017 the Fund responded to the Government consultation on indexation and equalisation of GMP in public service pension schemes. The outcome of this may impact the scope of reconciliation work that the Fund will be required to undertake. The Government has confirmed whilst the written responses were broadly supportive of the aims of the regulations, the responses have raised a number of issues which require further consideration and the Government does not expect to be in a position to respond before autumn 2017.

11. Exit Payment Update

- 11.1 Since the power to make regulations to restrict public sector exit payments became effective 1 February 2017 under the Enterprise Act 2016 no further information on the timing for commencement of the cap has been released. The exit cap remains dormant. We await a further consultation from DCLG on how to apply the exit cap and the impact on pensions, which are expected to be affected by the inclusion of early retirement startin costs in the capped payment amount.

12. General Data Protection Regulation (GDPR)

- 12.1 GDPR is regulation from the European Union which was approved by the EU Parliament on 14 April 2016 and is effective from 25 May 2018. GDPR tightens the requirements

which impact how pension schemes obtain member consent for the data they hold and process. The Fund is currently making preparations for the new regulations.

13. 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. 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. 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. Environmental implications

- 16.1 The report contains no direct environmental implications.

17. 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. Corporate landlord implications

- 18.1 The report contains no direct corporate landlord implications.

19. Schedule of background papers

- 19.1 None.

20. 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: Customer service statistics