



Pensions Committee

8 January 2014

Report Title	Pension Administration Report from 1 August 2013 to 30 September 2013	
Classification	Public	
Originating service	Pension Services	
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Recommendation(s) for action or decision:

The Committee is recommended to:

- 1 Approve applications received for admission to the West Midlands Pension Fund in Section 7.

Recommendation(s) for noting:

- 2 The Committee is asked to note the contents of the report, in particular the additional costs of £40,000 for overtime to address the backlog of work as in section 6 of the report and the write offs/ons of over and underpayments in section 9.

1.0 Purpose

1.1 To inform the Committee of the work undertaken by the Pensions Administration Services during the period 1 August 2013 – 30 September 2013.

2.0 Scheme Activity

2.1 The number of scheme members in the Fund in all three categories stands at 264,430 with an overall increase since 31 July 2013 of 664. Of the active membership of 97,338, 48% are full-time and 52% part-time, which is a reflection of the flexible working arrangements amongst employers. The long-term trend over an 11 year period in membership is set out in (Appendix A) which illustrates a move towards a more mature profile whereby active memberships are falling and pensioners and deferred membership is increasing.

2.2 The process analysis statistics show details of overall workflow within the Pensions Administration Service during the period 1 August 2013 – 30 September 2013 (Appendix B).

2.3 During the period covered by this report 22,703 administrative processes were commenced and 20,077 completed. On 30 September 2013 there were 17,634 items of work outstanding. Of this 5,654 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, 11,980 processes are now either proceeding to the next stage of the process or through to final completion.

2.4 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).

2.5 The Fund continues to see an increase in employer membership due mainly to the establishment of academies and outsourced local government contracts, with 16 new organisations being admitted to the fund during the period 1 August 2013 – 30 September 2013. The current number of employers as at 30 September 2013 is 399. The level of ongoing work being processed at the end of the period is as follows:-

- 46 admission agreements
- 54 academies
- 18 employer terminations

2.6 Admission bodies within the Fund cease when they no longer have any active scheme members which results in the termination of an admission agreement and can occur for a number of reasons, principally:

- The last active member of the admission agreement leaves, retires or transfers to another employer and ceases to be a member of the Fund and the employer does not wish to admit any more employees to that admission agreement.
- The contract to which the admission agreement relates, comes to an end or it is terminated prematurely.
- The employer ceases to exist, e.g. it goes into liquidation or is taken over by/merged with another organisation.

When an admission agreement terminates, the Regulations require that a termination valuation is undertaken with the purpose of determining the level of any surplus or deficit in an employer's share of the Fund as at the date of termination of the admission agreement. Payment of the exit liabilities upon termination is the responsibility of the admission body and, in the event that the admission body is unable to pay, the guarantor will pay any excess when the admission body is only able to pay part of the exit liabilities.

2.7 Both the Customer and Data Quality functions have experienced major change in the way work is processed e.g. indexing, joiner triage and microfiche records. An analysis of telephone calls is shown which details the immediate response provided by the Fund when addressing fundamental pension queries for all our members (Appendix E). The Fund experienced a high volume of calls and emails in September due to the delivery of Annual Benefit Statements (Appendix F). We continue to aim to provide a high quality response rate at first point of contact for telephone calls and pension fund enquiry emails.

2.8 Overall items scanned in August and September are lower due to the volume of bulk data received from major employers (Appendix D). Changes to the operational work trays now result in the correct processes being undertaken by the employer-split teams. Training for the relevant staff has been completed and performance will continue to improve. Staff within Operations and the Customer Service/Data teams have worked flexibly to ensure that service to scheme members has not been detrimented.

3. Administration performance

3.1 As part of the implementation of the new organisational restructure and the requirement to relocate staff into new functions KPI performance for processing, new KPI's have been established which have a cross-cutting benefit for all administration purposes and activities, by tracking end to end processes resulting in a more meaningful performance measurement. This will also incorporate a specific KPI related to pension scheme data records to increase quality and drive individual and team ownership for this function.

- 3.2 The Pensions Regulator has issued guidance on pension scheme record keeping which will result in Trustees and employers having precise information relating to financial liabilities at triennial valuation periods. The Regulator will set targets for completed and accurate data held by funds and the performance will be reviewed with a requirement to resolve data issues quickly or be forced to improve by the regulator.
- 3.3 The following types of data will be tested by the Regulator:-
- Common data – data which identifies a unique scheme member
 - Conditional data – scheme specific data which is required for the effective administration of the scheme.
 - Numerical Information – e.g. the numbers of the scheme members in a particular category, part-time, AVC payers.
- 3.4 The Key Performance Indicator (KPI) Framework has been developed to monitor and track performance, particularly in the aspects of quality and efficiency. The new KPIs will provide a better mechanism for effective performance monitoring, taking account of corporate priorities, continuous service improvement and enhanced accountability on the resources used.
- 3.5 Underpinning the KPIs are more detailed end to end cross-service and regulatory KPIs to monitor performance against compliance, track employer performance and identify and measure where processes move across the Operational Service from team to team. These will provide enhanced management reporting and identify where flexible resources can be utilised across the service to meet peak demands.
- 3.6 The aim is for the pension administration service to operate at 85% (or better) in accordance with the standards set, as detailed in Appendix G . With day meaning working day and disclosure targets being the regulatory requirements that the Fund is required to meet.
- 3.7 Performance of these KPIs is to be reported to SMT and Committee by the Compliance team. Pension Managers and Team leaders are to have access to run these reports regularly to monitor performance.
- 3.8 These KPIs will be reviewed as bulk electronic working is developed and in light of the new scheme.

4.0 IDR (Internal Dispute Resolution Procedure) casework

- 4.1 So far in the 2013/2014 financial year nine cases have been received. Six cases have been dismissed and three cases are in progress.

The six cases dismissed related to the following pension issues:

- Five cases dismissed related to the exercise of employer discretion on the early payment of deferred benefits from age 55.
- The other case related to the award of deferred benefits on the grounds of ill health rather than immediate ill health.

5.0 Death grant

5.1 In this financial year four cases have been referred to the Legal Department for consideration. Three case decisions have been made and the other case is ongoing.

6.0 Workload Statistics

6.1 Performance statistics recently increased due to the initial work of targeting backlog reduction by reviewing resources across the operational teams and identifying where the backlogs exist.

6.2 Additional hours through overtime working have been programmed for the next three months at an estimated cost of £40,000 to bring the backlog down to a reasonable level at 31 March 2014. This cost can be accommodated within the underspend of staff costs.

6.3 This has resulted in a reallocation of work across teams. Project groups have now been established to target areas of work, including business improvement reviews and policy revisions to change working practices in some areas. Discussions have also been held with other Funds to compare working practices as part of collaborative working to identify best practice. The project plan of reallocating areas of work and identifying where work exceeds capacity has created a temporary increase in workload. This is expected to reduce on a month by month basis by the end of the financial year through changes to working practices.

6.4 A significant reduction to workload has already been achieved to date. As at 16 December the workload has reduced from 25,000 - as at 1 September 2013 - to 16,267, a reduction of 8,733 casework processes so far. The intention is to reduce to less than 10,000 outstanding casework items by 31 March 2014.

7.0 Application for admission body status

7.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Fund following Pensions Committee approving the applications. Sometimes, a decision is required which is not compatible with the cycle of Pensions Committee meetings and admission agreements cannot be backdated (LGPS Regulations). In these circumstances, Pensions Committee has delegated responsibility for approving such applications to the Director of Pensions in consultation with the Chair and Vice Chair.

7.2 The table below lists the applications received for admission to the West Midlands Pension Fund which have been approved by delegated power by the Director of Pensions, the Chair and Vice Chair and Pensions Committee during the intervening period and are noted for information.

There is one application awaiting approval and Pensions Committee is requested to approve the application for Compass Contract Services Ltd.

Employer name	Guarantee Status (Agreement)	No of employees (Scheme members)	Status
Lend Lease FM (EMEA) Ltd (Sheldon Heath Academy)	Sheldon Heath Academy	4 (4)	Approved
Lend Lease FM (EMEA) Ltd (Waverley School)	Birmingham CC	5 (5)	Approved
DIAL (Disablement Information and Advice Line) Solihull	Solihull MBC	3 (3)	Approved
Redcliffe Catering Ltd (Jubilee Academy Walsall)	Jubilee Academy	1 (1)	Approved
Elite Cleaning and Environmental Services Ltd	Hereward College	6 (6)	Approved
Compass Contract Services Ltd	Heartlands Academy	6 (6)	Awaiting approval

8.0 Pensions in payment

8.1 The gross annual value of pensions in payment in September 2013 was £396.2 million, of which £18.3 million (£8.6 million for pensions increase and £9.7 million for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

8.2 Monthly payroll numbers were:

August 2013	-	77,422
September 2013	-	77,563

The September figures include pensioners paid on a quarterly basis.

9.0 Write off policy decisions

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

Individual Value	Number	Total
Less than £50.00	5	138.63
£50 - £100	23	1,686.77
£100 - £500	35	8,727.06
Over £500	5	5,139.75
TOTAL	68	15,692.21

9.2 Write on analysis

Individual Value	Number	Total
Less than £50.00	7	119.09
£50 - £100	1	69.30
£100 - £500	1	128.94
Over £500	0	0.00
TOTAL	9	317.33

- 9.3 A number of administrative errors since 2005 have resulted in one scheme member receiving a pension and lump sum payment to which they were not entitled. The total overpayment made to the member consisted of a lump sum payment of £12,031.60 in November 2011 and pension payments from November 2011 – March 2013 totalling £4,192.48.
- 9.4 The case was fully investigated by the Fund’s Compliance, Performance & Information Manager who identified that there were a number of avoidable errors when administrating the member’s pension record which had culminated in the over payment. The findings also highlighted that there was no opportunity for the member to prevent the overpayment being made other than the member contacting the Fund. She highlighted what she thought was a discrepancy before any payments had been made but was assured that there were no issues with the pension record. However, this was incorrect information which has now been rectified.
- 9.5 The findings of the investigation and discussions with the Citizens Advice Bureau, the scheme member’s advisor, in relation to the financial impact of repayment would cause considerable stress to the individual. At this stage the fund decided to recommend to Committee that the sum should be approved for write off and no recovery action should be taken.
- 9.6 The write off was approved in principal in a telephone conversation with the Chair of the Pensions Committee and the Head of Pensions Administration on Tuesday, 15 October 2013 and Pensions Committee is now asked to ratify the decision.
- 9.7 Following the investigation a review was carried out on all processes where the dates of birth for scheme members had been changed without documentation authorisation which was a key factor in the above case. Feedback has been provided to all staff to reiterate the importance of ensuring member data is accurate and any changes to member records are validated with appropriate evidence with the above case being used as a case study to highlight the impact of such mistakes. All data errors and breaches are treated seriously and action is taken immediately to alleviate any Fund and Wolverhampton City Council consequences.

10.0 Communications & marketing activity

10.1 Communicating with members

Presentations were held in Birmingham and Wolverhampton during July, targeting higher earners that may be affected by the annual allowance and life time allowance limits on their pension benefits. The Fund wanted to raise awareness that these limits are being reduced from 1 April 2014 by ensuring that the appropriate groups of members attended financial education sessions.

The next set of AVC presentations will be held as follows:

Date	Venue
Thursday 21 November	Civic Suite, Solihull MBC
Friday 22 November	Council House , Walsall MBC
Monday 25 November	Woodcock Street , Birmingham CC
Thursday 28 November	Council House, Coventry CC
Friday 6 December	Oldbury Council House, Sandwell MBC

10.2 Presentations

During the period Fund officers have continued to deliver presentations upon request from employers. The communications team will provide support on any subjects that are requested by an employer for their employees, however, the emphasis is on retaining membership and educating members on the possible changes due to be implemented in 2014.

Examples of activity during the period are as follows:

Date	Venue	Presentation topic
19 August	Wolverhampton City Council – Oxley Day Centre	Redeployment presentation
2 September	High Arcal School Academy Trust	Drop-in surgery sessions
3 September	Sandwell MBC	Drop-in surgery sessions
5 September	Sandwell MBC	Health & Wellbeing Event
10 September	Walsall Housing Group	LGPS & AVC Event
16 September	Centro	LGPS & AVC Event
17 September	Sandwell MBC	Face to Face surgery sessions
19-20 September	Wolverhampton City Council	Drop-in surgery sessions
23–24 September	Black Country Consortium	Drop-in surgery sessions
24 September	Sandwell MBC	Face to Face surgery sessions

10.3 Annual General Meeting

This year, the Fund's Annual General Meeting for employers was held on Monday 9 December at the Molineux Stadium in Wolverhampton. The event focused on the 2013 Actuarial Valuation results, providing an opportunity for organisations to discuss their initial individual outcomes. The consultation on Funding Strategy will be open until the end of January 2014, and is included in a separate report on this committee's agenda.

10.4 Pensioner magazine replacement

Club Together was successfully launched to the Fund's pensioner members week commencing 19 August. As part of the first distribution, pensioners were given the option to opt-out of receiving the Club Together magazine and any marketing information connected to the group, in the future. A total of 732 pensioner members have chosen to opt out, which is approximately 1% of the total number of members that received the Club Together magazine.

10.5 Web Portal

Work is continuing to increase awareness of the web portal facility for members and employers. There are currently more than 9,213 members registered to use the web-portal facility and over 248 employer accounts, representing 72 individual organisations. To encourage more take up, the Fund is considering regular prize draws for those signing up.

11.0 Financial implications

11.1 The report contains financial information which should be noted.

11.2 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.

12.0 Legal implications

12.1 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.

13.0 Equalities implications

13.1 This report has equal opportunities implications since it deals with the pension rights of employees.

14.0 Environmental implications

This report is PUBLIC (NOT PROTECTIVELY MARKED)

14.1 The report contains no direct environmental implications.

15.0 Schedule of background papers

15.1 None