

# Pensions Committee

## 23 September 2015

<b>Report Title</b>	Pensions administration report from 1 April to 30 June 2015	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Simon Taylor Tel Email	Head of Pensions Administration 01902 554276 Simon.taylor2@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Geik Drever Tel Email	Strategic Director of Pensions 01902 552020 Geik.drever@wolverhampton.gov.uk

---

### Recommendations 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 Strategic Director of Pensions and the 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).
3. Progress made with employer annual returns, the provision of annual benefit statements and the associated breach report to the Pensions Regulator (tPR).
4. Future activity with regards to data quality and pensions taxation.

## 1. Purpose

- 1.1 To inform Committee of the work undertaken by the pensions administration service during the period 1 April 2015 – 30 June 2015 for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Association Pension Fund (the WMITA Fund).

## 2. Background

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

## 3. Scheme Activity

### 3.1 Membership movement – Main Fund

- 3.1.1 The number of scheme members in the Fund in all three categories stands at 280,991 with an overall increase since 31 March 2015 of 3,433. Of the active membership of 105,852 - 50% are full-time and 50% part-time, which is a reflection of the flexible working arrangements amongst employers. 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 six months, however, active numbers appear to have increased and, in December 2014 in particular, pensioner and deferred membership numbers have decreased. The increase in active members is partially due to the receipt of bulk joiner files from employers on a lagged basis and therefore does not necessarily reflect the actual date these members joined the Scheme.

### 3.2 Membership movement – WMITA Fund

- 3.2.1 The number of scheme members in the WMITA Fund in all three categories stood at 5,156 on 30 June 2015, 10% are active members, 17% are deferred and the largest group are pensioner members at 73% of the total membership. Detailed below is the current information showing movements between 31 March 2015 and 30 June 2015.

	Membership as at 31 <sup>st</sup> March 2015			Movements during the period			Membership as at 30 <sup>th</sup> June 2015		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	518	0	518	-8	0	-8	510	0	510
Deferred Members	865	22	887	-23	-2	-25	842	20	862
Pensioner Members	3,659	116	3,775	9	0	9	3,668	116	3,784
<b>Total Members</b>	<b>5,042</b>	<b>138</b>	<b>5,180</b>	<b>-22</b>	<b>-2</b>	<b>-24</b>	<b>5,020</b>	<b>136</b>	<b>5,156</b>

### 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 April 2015 – 30 June 2015
- 3.3.2 During the period covered by this report 38,195 administrative processes were commenced and 34,604 completed. On 30 June 2015 there were 12,613 items of work outstanding. Of this 3,461 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, 9,052 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.3.3 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).
- 3.3.4 Performance statistics have been influenced by the delay in the 2014 Pension Regulations and the ability to process post April 2014 work. To help support efficient working the Operations Team has been processing new joiners by a bulk data import process. All employers went live using this service from 1 September 2014 which has released further capacity for other work processing. As a result, the joiner/rejoiner figures shown in appendix C appear to be low volume, but this is because this work is now processed via BDI and therefore not represented in these statistics.

### 3.4 **Workflow statistics – WMITA Fund**

- 3.4.1 During the period covered by this report 682 administrative processes were commenced and 619 completed. On 30 June 2015 there were 158 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 15 new organisations being admitted to the Main Fund during the period 1 April 2015 – 30 June 2015. The current number of employers as at 30 June 2015 is 486. The level of ongoing work being processed at the end of the period is as follows:-

- 40 admission agreements
- 54 academies
- 15 employer terminations

### 3.6 **Customer services**

- 3.6.1 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 and employers (Appendix D). We continue to aim to provide a high quality response rate at first point of contact for telephone calls and pension fund enquiry emails achieving our Key Performance Indicator (KPI) of 85% or above.

- 3.6.2 Customer Service telephone call enquiries and emails have peaked during May due to a number of factors such as the issue of a disclosure mailing, an increase in web portal activity and the issue of P60 details.
- 3.6.3 With regards to the pension fund enquiry emails received, some of these are responded to immediately by the Customer Services team as they are general enquiries or web portal queries. Some emails relate to cases that are processed by the Operational or Payroll teams, such as ongoing transfers, retirement cases, refund calculations in progress etc. and those either start a new process on the UPM administrative system or are added to an existing process.
- 3.6.4 Overall items scanned are slightly lower than in the previous year. This reflects the move to processing some work via bulk data import and via the web portal. The average % indexing error rate is below 0.2%, which remains a good level of quality control. The Fund is working towards increasing exchange of data via electronic means and progress has been made to move towards this objective. We continue to scan microfiches onto UPM to ensure that the microfiche information is available for work to be processed efficiently and accurately. (Appendix E)

#### **4. Internal Dispute Resolution Procedure (IDRP) casework**

- 4.1 Over the 2015/2016 financial year to date two cases have been referred for the Main Fund under stage 1 of IDRP. Both of these cases have been dismissed and related to the following pension issues:
- Timescale of calculating retirement and AVC benefits
  - Incorrect transfer quote provided due to a technical issue
- 4.2 Five cases have been received for stage 2 investigation for the Main Fund. Two of these cases were referred back to the employer to reconsider the stage 1 decision, one case is in progress, and two cases have been dismissed.
- 4.3 The two cases dismissed related to the following pension issues:
- Incorrect pay figure used to calculate the estimate provided by the employer.
  - Exercise of employer discretion on the early payment of deferred benefits from age 55.
- 4.4 So far in the 2015/2016 financial year no cases have been received where a WMITA member is raising an internal dispute resolution procedure.

#### **5. Death grant**

- 5.1 In this financial year four cases in respect of the Main Fund have been referred to the Legal Department for consideration. Two cases are on-going and the other two cases have successfully been resolved. No cases have been referred to the Legal Department in relation to the WMITA Fund in this financial year.

## 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 Strategic Director of Pensions in consultation with the 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 Strategic Director of Pensions and the Chair of Pensions Committee.

<b>Employer name</b>	<b>Guarantee Status (Agreement)</b>	<b>No of employees (Scheme members) Agreement type</b>	<b>Status</b>
ABM Catering (John Shelton Community Primary)	Coventry City Council	2(2) Closed	Approved
ABM Catering (Lodge Farm Junior Infants)	Walsall Metropolitan Borough Council	4(4) Closed	Approved
Alliance in Partnership (Coventry Cluster)	Coventry City Council	11(11) Closed	Approved
Alliance in Partnership (King Edward VI Sheldon Heath)	King Edward VI Sheldon Heath Academy	7(7) Closed	Approved
Alliance in Partnership (Brownhills)	Walsall Metropolitan Borough Council	2(2) Closed	Approved
Alliance in Partnership (Harborne Primary)	Birmingham City Council	6(6) Closed	Approved
Aspens Services Ltd (South Wolverhampton and Bilston Academy)	City of Wolverhampton Academies Trust	5(5) Closed	Approved
Aspens Services Ltd (Ark Kings Academy)	Ark Schools	2(2) Closed	Approved
Birmingham Community Leisure Trust (South West contract)	Birmingham City Council	71(71) Closed	Approved
Birmingham Community Leisure Trust (North East contract)	Birmingham City Council	169(169) Closed	Approved
CRI	Birmingham City Council	13(13) Closed	Approved
NSL Limited Parking Services (BCC)	Birmingham City Council	6(6) Closed	Approved
Regent Office Care Ltd (Ormiston Shelfield Academy)	Ormiston Academies	16(16) Closed	Approved
Superclean Services Ltd (Finham)	Finham Park School	7(7) 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 June 2015 was £427.4m, of which £17.9m (£8.7m for pensions increase and £9.2m 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 £
April 2015	70,295	29,226,772.44
May 2015	70,398	29,445,435.29
June 2015	76,992	30,313,689.69

The June figure includes pensioners paid on a quarterly basis, but not those paid on a yearly basis.

### 7.3 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to June 2015 was £24.6m, of which £8,976 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 £
April 2015	3,714	1,786,096.57
May 2015	3,715	1,789,575.24
June 2015	3,772	1,814,273.64

The June figure includes pensioners paid on a quarterly basis, but not those paid on a yearly basis.

## 8. Write-off policy decisions

### 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	331.99	0	0.00
£100 - £500	16	3,425.19	0	0.00
Over £500	7	9,074.28	1	933.14
<b>TOTAL</b>	<b>29</b>	<b>12,831.46</b>	<b>1</b>	<b>933.14</b>

## 8.2 Write-on analysis – Main Fund

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	14	614.87	0	0
£100 - £500	3	389.84	0	0
Over £500	0	0.00	0	0
<b>TOTAL</b>	<b>17</b>	<b>1,004.71</b>	<b>0</b>	<b>0</b>

## 9. Communications & marketing activity

### 9.1 Presentations

9.1.1 During these three months officers have continued to deliver presentations upon request from employers. The team will provide support on any pension subjects that are requested by an employer for their employees. The emphasis during this reporting period has been to continue to encourage members to sign up to Web Portal in order to view their details, run pension calculations and view their annual benefits statement, as well as supporting our members who are at risk of redundancy. A total of 21 presentations were delivered to 298 attendees.

9.1.2 The feedback from our presentations was 83% of the members rated them as excellent and 17% as good.

9.1.3 The presentations were held at 21 different employers, including the district councils, universities, schools/academies and other admitted bodies.

9.1.4 Further support has also been provided to members either through drop in sessions or scheduled one to one support sessions. In total, support was offered to 241 members on a one to one basis.

### 9.2 Web Portal

9.2.1 Work is continuing to increase awareness of the web portal facility for members and employers. There are currently over 23,000 members registered to use the web-portal facility with over 13,500 of those having been authenticated. A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

#### Registered and authenticated

WMITA - 383

WMPF – 13,495

9.2.2 The web portal service is actively promoted via communications sent to members and employers alike. It is also promoted through scheduled events such as the Employer AGM, member presentations and various meetings to include focus groups such as the employer peer group. The service is highlighted on the Fund's website, particularly the provision of electronic annual benefit statements through this medium from 2015. In addition, posters promoting the service have been provided to the largest 25 employers (and to employers that request them), and the Fund has promoted the service via Trade Union representatives on the Local Pensions Board.

## **10. Employer annual returns and annual benefit statements**

### **10.1 Deferred Benefit Statements**

The Fund successfully managed to produce the vast majority of deferred member statements (98%), and these were made available in July 2015.

### **10.2 Active members – Annual Returns/Active Benefit Statements**

10.3 During the last week of February and the first week of March 2015, annual return requests were sent to 474 participating employers, requesting the completed information by 30 April 2015 for active members.

10.4 By 30 April 2015, 154 of the 474 returns were received equating to 32% and half the percentage of the previous year (by 31 May 2015, 394 were received).

10.5 Upon receipt of the returns, each one was reviewed by the Fund with a view to uploading the information onto the UPM administration system, however a number of returns had to be returned to employers as the data was of insufficient quality to pass initial validation. The main issues in failing the initial validation were as follows:

- Use of commas and % signs in the financial fields
- Incorrect start dates for members
- Mandatory fields not being completed
- Membership number field being left blank
- Old template being used
- Dates being sent in American format

10.6 The late receipt of annual return information by Fund employers has had a consequential effect on the ability of the Fund to produce annual benefit statements for 2014/15 for active members. The Fund appreciates that the complexity of the new 2014 scheme and limits on employers' resources, as well as constraints of their own payroll systems, have contributed to these delays. In addition, the late issue of regulations and guidance required to update pension administration systems and the late delivery by the administration software provider of the functionality required to process new annual data returns has contributed to the issues faced by the Fund.



- 10.7 As a result of the issues outlined above, the Fund has been unable to provide annual benefit statements for its active members by the statutory deadline of 31 August 2015 and has therefore taken the decision to formally report this as a breach to tPR. In response to the Fund's report, tPR have confirmed they will not take action in relation to the delay, but would like to be informed if the issuing of active benefit statements is delayed beyond 31 October 2015.
- 10.8 Active member benefit statements will be issued in two batches – the first (expected to cover around 50% of members) by 30 September 2015 and the second (covering the remaining 50% of members) is expected to be completed by 31 October 2015.
- 10.9 In line with our Pension Administration Strategy, the Fund will be passing on the costs associated with the additional work required as a direct result of poor employer performance. The Fund is also writing to our software provider to formally document the shortcomings in their service and how this has contributed to the delay.
- 10.10 The Fund has written to all employers to confirm when they and their members can expect their statements to be available and a message will be placed on our website.
- 10.11 Looking to the future, the Fund will follow-up with employers and feedback experience from the 2015 exercise so that the process and data exchange can be refined for next year, ahead of the 2016 actuarial valuation. The Fund is engaging with employers around the possibility of moving to monthly returns and with a view to conducting a pilot exercise with major employers by April 2016. In addition, the Pensions Administration Strategy (PAS) currently outlines fines which might be levied against employers as a penalty for delayed or poor quality provision of data and these clauses will be reviewed so as to ensure they are fit for purpose. Aligned to the PAS, the Fund is proposing to name 'underperforming' employers to raise awareness of the issues being faced.

## **11. Future activity**

- 11.1 As covered in more detail in the LGPS Reform Update 2015 report, following completion of the 2015 annual return and benefit statement exercise, the Fund will review membership records to identify any members potentially affected by the summer budget changes in pensions taxation. The Fund has begun engaging with employers on the matter and is in the process of implementing a structured approach for liaising with effected members. In addition, the Fund's member relationship officers are already talking to employees about the change and are available to discuss the changes with individuals and small groups, as required.

11.2 The Fund has continually been engaging with employers on the quality of data provided, particularly with a view to the closer scrutiny placed upon this area by tPR with effect from April 2015. In December 2014, the Fund wrote to each of the district councils outlining certain data sets where information was outstanding. Great strides have been made by employers in providing information to improve the quality of data held on the Funds records, however there still remains significant scope for further improvement. With a view to the experience of the 2014/15 annual returns process, and with data quality in general, the Fund is holding meetings with each of the district councils to discuss the quality and exchange of data so as to improve the situation going forward. This programme will be expanded to include other participating employers where appropriate.

11.3 In line with tPR code of practice requirements for data record keeping the Fund has analysed its "Common" data sets with a pass rate of 98% and above for each. As such, the Fund is satisfied that with some further improvement we will achieve the requirements set out by tPR. In addition, the Fund's "Conditional" data sets are under review and we will report to Committee in more detail on this in December.

## **12. Financial implications**

12.1 The report contains financial information which should be noted.

12.2 The production of annual benefit statements for active members in two runs will have associated cost implications for the Fund. The recovery of these costs via participating employers is covered in more detail in section 10.9.

12.3 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.

## **13. Legal implications**

13.1 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.

## **14. Equalities implications**

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

## **15. Environmental implications**

15.1 The report contains no direct environmental implications.

**16. Human resources implications**

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

**17. Corporate landlord implications**

17.1 The report contains no direct corporate landlord implications.

**18. Schedule of background papers**

18.1 None.

**19. Schedule of appendices**

19.1 Appendix A: Overall membership numbers

19.2 Appendix B: Process analysis

19.3 Appendix C: Detailed process analysis

19.4 Appendix D: Customer service statistics

19.5 Appendix E: Data quality statistics