



Pensions Committee

25 June 2014

Report Title Pension administration report from
1 January 2014 to 31 March 2014

Originating service Pension Services

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Report to be/has been considered by

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Note the report and approve the applications received for admission to the West Midlands Pension Fund in Section 5.
2. Approve the transfer of data to the Greater Manchester Pension Fund (GMPF) as part of the National Probation Service programme.

1.0 Purpose

- 1.1 To inform the Committee of the work undertaken by the Pensions Administration Services during the period 1 January 2014 – 31 March 2014.

2.0 Scheme Activity

2.1 Membership data

The number of scheme members in the Fund in all three categories stands at 270,317 with an overall increase since 31 December 2013 of 2,985. Of the active membership of 99,771- 46% are full-time and 54% 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 increasing.

2.2 Workflow statistics

The Operational Workload Reduction programme was completed on 31 March with work reduced to under 10,000 items from a starting point within UPM of 18,600 (and overall starting figure of over 25,000). Committee agreed to £40,000 for additional hours to reduce the amount of backlog processes. Project groups were established to target areas of work, including business improvement reviews and policy revisions to change working practices in some areas. This has resulted in a significant reduction in workload to enable the Fund to move forward with a manageable workload in the future. By reducing the backlog of outstanding work in some areas it also released capacity to strengthen resources on the Retirement and Deaths team and the Customer Service team.

The process analysis statistics show details of overall workflow within the Pensions Administration Service during the period 1 January 2014 – 31 March 2014 (Appendix B).

During the period covered by this report 31,418 administrative processes were commenced and 31,689 completed. 3,408 processes have been removed from the statistics covered in the last report, as these processes did not require direct action from the Fund and represented items where the Fund was awaiting information from employers. On 31 March 2014 there were 9,886 items of work outstanding. Of this 4,183 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, 5,703 processes are now either proceeding to the next stage of the process or through to final completion.

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).

2.3 Pension Liberation Fraud

The new procedure to strengthen transfer processes in order to identify and deter pension liberation is working well and the escalation procedure has been used in several cases to further investigate pensions transfers to safeguard the pension benefits of our members and to raise awareness of this issue and the potential tax charge implications.

2.4 Employer membership data

The Fund continues to see an increase in employer membership due mainly to the establishment of academies and outsourced local government contracts, with 17 new organisations being admitted to the fund during the period 1 January 2014 – 31 March 2014. The current number of employers as at 31 March 2014 is 424. The level of ongoing work being processed at the end of the period is as follows:-

- 49 admission agreements
- 28 academies
- 22 employer terminations

2.5 Customer services

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). The Fund experienced a high volume of calls and e-mails in April due to pension CPI increases and Scheme changes. This resulted in an increase in call waiting times. A review of the service has since been undertaken and resources strengthened in this area with plans to further strengthen resources during peak periods in the future. We continue to aim to provide a high quality response rate at first point of contact for telephone calls and pension fund enquiry emails.

2.6 Overall items scanned has remained fairly consistent with the previous years. The average % indexing error rate is below 0.1%. The Fund is working towards increasing exchange of data via electronic means and further 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).

3. IDRP (Internal Dispute Resolution Procedure) casework

3.1 So far in the 2013/2014 financial year twenty cases have been received. Sixteen cases have been dismissed, one case has been upheld and three cases are in progress. The Sixteen cases dismissed related to the following pension issues:

- Eleven cases dismissed related to the exercise of employer discretion on the early payment of deferred benefits from age 55.
- One case related to the award of deferred benefits on ill health grounds rather than immediate ill health grounds.
- One case related to the level of benefits paid on redundancy grounds at stage one and Stage two of the procedure.
- One case related to the exercise of employer discretion on flexible retirement.
- One case in relation eligibility to join the scheme whilst employed by an agency.

The case upheld was relating to the award of deferred benefits instead of immediate benefits on Ill Health. Tier 3 has now been awarded.

4. Death grant

4.1 In this financial year six cases have been referred to legal for consideration. Four case decisions have been made and two cases are on-going.

5 Application for admission body status

5.1 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.

5.2 Committee is requested to approve these admissions:-

Employer name	Guarantee Status (Agreement)	No of employees (Scheme members)	Status
Alliance in Partnership Ltd (Rounds Green Primary School)	Sandwell Metropolitan Borough Council	1(1)	Require approval
Bespoke Cleaning Ltd (Westwood Academy)	Westwood Academy	2(2)	Require approval
Churchill Contract Services (James Brindley School)	Birmingham City Council	1(1)	Require approval

6 Pensions in payment

6.1 The gross annual value of pensions in payment to March 2014 was £380.70m, of which £18.2m (£8.4m for pensions increase and £9.7m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

6.2 Monthly payroll details were:

Month	Number	Value £
January 2014	72,777	29,834,469.62
February 2014	69,281	29,791,298.42
March 2014	83,844	30,668,864.58

The March figures include pensioners paid on a quarterly and annual basis.

7 Communications & marketing activity

7.1 Presentations

During the period Fund officers have continued to deliver presentations upon request from employers as detailed in Appendix F. The 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.

7.2 Web Portal

Work is continuing to increase awareness of the web portal facility for members and employers. There are currently 11,400 members registered to use the web-portal facility. As at 31 March 2014 there are 204 employer accounts representing approximately 71 individual organisations. This has reduced from last reporting period as the Fund have been disabling accounts where employer contacts have left or not filled in re-registration forms.

8 Transfer of Staffordshire and West Midlands Probation Trust (SWMPT)

8.1 The Ministry of Justice (MoJ) is introducing a new system for the management and rehabilitation of offenders in England and Wales. The services that are currently delivered by 35 Probation Trusts will be delivered instead by 21 Community Rehabilitation Companies and by the newly created National Probation Service.

8.2 The date that employees were due to transfer from the existing Probation Trusts to the new bodies was 1 April 2014, however it was announced recently that this date has been put back by two months to 1 June 2014.

8.3 As part of this new system it was decided that Probation Trusts, which currently participate in many LGPS funds, would participate in only one LGPS fund. Following a tender process, which was outlined to Committee in a report dated 25 September 2013, the Greater Manchester Pension Fund (GMPF) was selected as preferred provider. The GMPF will assume responsibility for all of the pension assets and liabilities of the existing Probation Trusts, across all active, deferred and pensioner members.

8.4 In line with draft actuarial guidance contained in the Department for Communities and Local Government (DCLG) consultation “Transforming Rehabilitation Programme and the Local Government Pension Scheme”, the Fund will facilitate a bulk transfer of SWMPT to GMPF. The membership and asset/liability values of SWMPT as at 31 March 2013 is summarised below:

Membership category	Number	Average Age	Liabilities	Assets
Actives	1,514	46.4	£138,472,000	£225,819,000
Deferreds	870	47.5	£31,090,000	
Pensioners	1,284	69.3	£153,904,000	
Total	3,668	N/A	£323,466,000	£225,819,000

8.5 The bulk transfer payment will be based upon:

- a. the value of Probation assets allocated at the 2013 formal valuation, rolled up with investment returns to the payment date,

plus

- b. the value of cash flows (mainly contributions less benefit payments) relating to the transferring members during each quarter between transfer date and payment date, rolled up with investment returns to the payment date.

8.6 As part of the transfer process a number of areas will require agreement between the Fund and GMPF as follows:

- The timing/staggering of transfer payments
- The form of assets
- The transaction costs
- The investment roll-up

8.7 The Fund has worked with GMPF and its system provider Heywood to provide the required data and images by 30 May 2014.

8.8 There is a possibility that the Fund may be asked to continue to pay benefits to Probation members after the transfer date and it has been confirmed that GMPF will notify the Fund in advance if this is going to occur.

9.0 Financial implications

- 9.1 The report contains financial information which should be noted, in particular the transfer out of SWMPT's assets and liabilities to GMPF.

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.

10.0 Legal implications

- 10.1 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.

11.0 Equalities implications

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

12.0 Environmental implications

- 12.1 The report contains no direct environmental implications.

13.0 Human resources implications

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

14.0 Corporate landlord implications

- 14.1 The report contains no direct corporate landlord implications.

15.0 Schedule of background papers

- 15.1 There are no preceding documents.