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Pensions Committee

22 June 2016

Report Title	Pensions Administration Report from 1 January to 31 March 2016		
Originating service	Pension Services		
Accountable employee(s)	Rachel Brothwood	Assistant Director (Actuarial and Pensions)	
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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 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 2016 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 2016 stands at 287,853 with an overall increase since December 2015 of 2,160. 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 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 5,129 on 31 March 2016, 9% are active members, 16% are deferred and the largest group are pensioner members at 75% 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 2015 and 31 March 2016.

	Membership as at 31st December 2015			Movements during the period			Membership as at 31st March 2016		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	480	0	480	-10	0	-10	470	0	470
Deferred Members	812	17	829	-14	-1	-15	798	16	814
Pensioner Members	3,714	118	3,832	12	1	13	3,726	119	3,845
Total Members	5,006	135	5,141	-12	0	-12	4,994	135	5,129

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 2016.
- 3.3.2 During the period covered by this report 40,729 administrative processes were commenced and 35,100 completed. On 31 March 2016 there were 19,752 items of work outstanding. Of this, 3,214 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, 16,520 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.3.3 Year to date, the Fund has received a higher volume of leavers to process (many requiring set up of deferred benefits) and has seen an increase in retirement and member data changes. Joiners are now processed in bulk. Backlog created through the delay in the 2014 Pension Regulations and additional work from the increased focus on data quality means the number of active processes remains high. Overall, workload has increased during the year and the number of outstanding processes is 70% higher than at 31 March 2015.
- 3.3.4 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).

3.4 Workflow statistics – WMITA Fund

- 3.4.1 During the period covered by this report 503 administrative processes were commenced and 520 completed. On 31 March 2016 there were 137 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 13 new organisations being admitted during the period 1 January 2016 – 31 March 2016. The current number of employers as at 31 March 2016 is 536 (compared to 473 as at 31 March 2015). The level of on-going work being processed at the end of the period is as follows:-
 - 44 admission agreements
 - 23 academies
 - 25 employer terminations

3.6 Customer services

- 3.6.1 An analysis of our front-line customer contact is shown which details the immediate response provided by the Fund when addressing fundamental pension queries (Appendix D). We continue 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 With regards to the pension fund enquiry emails received, the majority of these are responded to immediately by the Customer Services team. Our general mail box also receives emails that are processed by the Operational or Payroll teams, such as requests for fund values to be calculated, retirement forms etc. As these queries can't be resolved by the Customer Services Team, they either start a new process on the UPM administrative system or are added to an existing operational/payroll process.
- 3.6.3 As indicated in Appendix D, the annual posting of quarterly/annually paid members' P60's during March has resulted in an increase in contact to the Fund from our pensioner members. This increase is also expected to follow into April when our monthly paid members will also receive their P60's

4. Internal Dispute Resolution Procedure (IDRP) casework

- 4.1 In the 2015/2016 financial year there were eight cases referred to Stage one of the procedure by the Fund. Six of these cases were dismissed and two are still under investigation.
- 4.2 The six cases dismissed at stage one related to the following pension issues:
 - Timescale of calculating retirement and AVC benefits.
 - Level of benefits deferred benefits paid.
 - Incorrect transfer quote provided due to a technical issue.
 - Appeal against not being allowed to transfer out a pension credit.
 - Unable to convert pension for lump-sum as Guaranteed Minimum Pension exceeds pension.
- 4.3 Twenty one cases were received for stage 2 investigation. Two of these cases were referred back to the employer to re-consider the stage one decision. Six cases are ongoing and thirteen cases have been dismissed.
- 4.4 The thirteen cases dismissed at stage 2 related to the following pension issues:
 - Incorrect pay figure used to calculate the estimate provided by employer.
 - Exercise of employer discretion on the early payment of deferred benefits from age 55.
 - Incorrect transfer quote provided due to a technical issue.
 - Ill Health retirement not being awarded
- 4.5 So far in the 2016/2017 four cases have been received under stage 2 of the procedure.

5. Death grant

- 5.1 In this financial year seven cases have been referred to the Legal Department for consideration. Two cases are on-going and the other five 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 Strategic 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 Strategic 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
Alliance in Partnership Ltd (Joseph Leckie)	Walsall MBC	10(10) Closed	Approved
Alliance in Partnership Ltd (Pedmore Primary school)	Dudley MBC	2(2) Closed	Approved
Alliance in Partnership Limited (Glenmead Primary School)	Birmingham CC	2(2) Closed	Approved
Compas Contract services (UK) Ltd (Hall Green school)	Hall Green School	10(10) Closed	Approved
Dodd Group (Midlands) Ltd	Birmingham CC	6(6) Closed	Approved
Carillion Ltd (Heath Park Academy)	Heath Park Academy	5(5) Closed	Approved
Mazars Ltd (Walsall MBC)	Walsall MBC	3(3) Closed	Approved
Elite Cleaning & Environmental Services (Mirus Academy)	Matrix Academy Trust	9(9) Closed	Approved
Alchemy Facilities Ltd (Brays School)	Birmingham CC	2(2) Closed	Approved

NIC Services Ltd (The Phoenix Collegiate)	Sandwell MBC	4(4) Closed	Approved
Aspens-Services Ltd (Quensbridge School)	Birmingham CC	1(1) Closed	Approved
Aspens-Services Ltd (Cannon Park Primary School)	Coventry CC	1(1) Closed	Approved

7. Termination of admission body status

- 7.1 As part of the employer covenant update reports provided to Committee on 25th June 2014 and 24 September 2014, the Fund drew attention to Rightstepcareers Ltd (formerly Coventry Solihull and Warwickshire Partnership Ltd).
- 7.2 Rightstepcareers Ltd featured on the Employer Watch List and an in depth covenant assessment was undertaken by the Fund as a result. The Fund put forward certain proposals on the back of the covenant review which were, in the main, agreed by Rightstepcareers.
- 7.3 The Fund filed a breach report with the Pensions Regulator (tPR) for outstanding employer deficit contributions and outlined the steps we were taking. The Pensions Regulator has since confirmed that, at this stage, there is no further action required from their perspective.
- 7.4 On 22 March 2016 the Fund met with Rightstepcareers and their representatives (KRE Corporate Recovery) and were informed that the business had been unsuccessful in their tender for a substantial Local Authority contract. This contract, which spanned two local authorities, constituted a significant part of their funding, and therefore the business could no longer survive as a going concern. Rightstepcareers proposed KRE as administrators.
- 7.5 The Fund sought advice from Deloitte LLP as our covenant advisers and requested certain pieces of information about the business, its financial position and the proposals for treatment of creditors in administration.
- 7.6 The Fund has recently received notification that Rightstepcareers has gone into administration with effect from 30 April 2016.
- 7.7 We will now work closely with the administrators to serve the best interests of the Fund and its participating employers. A further, more detailed update, will be provided to Committee as part of the Employer Covenant Update report at the September meeting.

8. Pensions in payment

8.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to March 2016 was £434m, of which £17.5m (£8.5m for pensions increase and £9.0m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

8.2 Monthly payroll details for the Main Fund were:

Month	Number	Value £
January 2016	72,165	30,296,689
February 2016	72,406	30,409,599
March 2016	85,259	31,444,267

The March figure includes pensioners paid on a quarterly and yearly basis

8.3 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to March 2016 was £24.7m, of which £8,900 for added year's compensation was recovered from employing authorities and other bodies as the expenditure was incurred.

8.4 Monthly payroll details for the WMITA Fund were:

Month	Number	Value £
January 2016	3,763	1,807,921
February 2016	3,766	1,816,654
March 2016	3,840	1,836,115

The March figure includes pensioners paid on a quarterly and yearly basis,

9. Write-off policy decisions

A write-off relates to pensions overpaid to members, and adhering to 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 a member death.

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

9.1 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	1	58.88	0	0.00
£100 - £500	12	2,994.42	0	0.00
Over £500	3	10,337.71	2	6,930.41
TOTAL	16	13,391.01	2	6,930.41

9.2 Write-on analysis

Individual Value	Main Fund		WMITA Fund	
	Number	Total (£)	Number	Total (£)
Less than £100	4	179.28	1	39.07
£100 - £500	0	0.00	0	0.00
Over £500	0	0.00	0	0.00
TOTAL	4	179.28	1	39.07

10. Member and Employer Engagement

10.1 Web Portal

10.1.1 Work is continuing to increase awareness of the web portal facility for members and employers. There are currently over 40,000 members registered to use the web-portal facility with over 24,000 of those having been authenticated as at 31 March 2016. A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered and authenticated

WMITA - 542

WMPF – 23,660

10.1.2 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 including 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. 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. In addition, a prize draw for a £25 voucher is held quarterly, as a further incentive.

10.2 Member Services

10.2.1 In total, the Member Services Team has assisted 1508 members with pension related information over this period.

10.2.2 Presentations

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

The emphasis during this reporting period has been:

- Delivering 'Pension Tax' briefings to the higher earners across the district councils in order to highlight the potential for tax on pension savings and changes to the tax regime coming into force from April 2016.
- Briefing members on the changes to the Scheme ceasing to be contracted out and the implications this has for members' National Insurance contributions.
- Supporting those members who are at risk of redundancy or maybe facing reductions in pay.

A total of 43 Fund presentations were delivered to 742 attendees, these presentations were held at 21 different employers, including the district councils, universities, schools/academies and other admitted bodies.

The feedback from these presentations was 64% of the members rated them as excellent and 36% as very good.

The Fund works in partnership with the 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 6 Districts, 425 members attended.

10.2.3 Roadshows

During this reporting period we have engaged with our Local Authorities to target their external depots to provide Pension Roadshows to members who normally do not have access to our services. Statistics from these events that are due to be delivered in April will follow in the next reporting period.

10.2.4 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 341 members on an individual basis.

11. 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. 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. Equalities implications

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

14. Environmental implications

- 14.1 The report contains no direct environmental implications.

15. Human resources implications

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

16. Corporate landlord implications

- 16.1 The report contains no direct corporate landlord implications.

17. Schedule of background papers

17.1 None.

18. Schedule of appendices

18.1 Appendix A: Overall membership numbers

18.2 Appendix B: Process analysis

18.3 Appendix C: Detailed process analysis

18.4 Appendix D: Customer service statistics