

+

CITY OF  
WOLVERHAMPTON  
COUNCIL

# Pensions Committee

## 14 September 2016

<b>Report Title</b>	Pensions Administration Report from 1 April to 30 June 2016	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Simon Taylor Tel Email	Head of Client and Funding Management 01902 554276 Simon.taylor2@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.brothwood@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.
2. Approve the four and a half year relicensing proposal detailed in section 10 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 April to 30 June 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 30 June 2016 stands at 292,854 with an overall increase since March 2016 of 4,980. 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 5,108 on 30 June 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 March 2016 and 30 June 2016.

	Membership as at 31st March 2016			Movements during the period			Membership as at 30th June 2016		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	470	0	470	-12	0	-12	458	0	458
Deferred Members	798	16	814	-13	0	-13	785	16	801
Pensioner Members	3,726	119	3,845	4	0	4	3,730	119	3,849
<b>Total Members</b>	<b>4,994</b>	<b>135</b>	<b>5,129</b>	<b>-21</b>	<b>0</b>	<b>-21</b>	<b>4,973</b>	<b>135</b>	<b>5,108</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 to 30 June 2016.
- 3.3.2 During the period covered by this report 43,118 administrative processes were commenced and 34,492 completed. On 30 June 2016 there were 27,414 items of work outstanding. Of this, 4,354 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, 23,046 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. A backlog has been created through the delay in the 2014 Pension Regulations together with the late issuance of the Statutory Increase Order in 2016 and recent changes to a number of calculation factors (as determined by the Government Actuary Department) and additional processes started following the increased focus on data quality.
- 3.3.4 The number of active processes remains high. Overall, workload has increased during the quarter and the number of outstanding processes is higher than at 31 March 2016. This has been mainly driven by additional processes created to manage queries raised by the Annual Return process, a higher volume of retirement requests and an increase in leavers whose deferred pension set up has been delayed.
- 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 503 administrative processes were commenced and 520 completed. On 30 June 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 23 new organisations being admitted during the period 1 April 2016 – 30 June 2016. The current number of employers as at 30 June 2016 is 553. The level of on-going work being processed at the end of the period is as follows:-
- 39 admission agreements
  - 13 academies
  - 32 employer terminations

### **3.6 Customer services**

- 3.6.1 An overview of our front-line customer contact is shown in Appendix D. This outlines the variety and volume of support provided by the Fund to address members' fundamental pension queries. 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 An indication of the statistics for the previous year is included within the charts as a comparative measure. Overall we continue to see an increase in enquiries and greater use of electronic communication.

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

- 4.1 So far in the 2016/2017 financial year there have been two cases referred to Stage one of the procedure appealing against the Fund. One case has been dismissed and the other is currently under investigation.
- 4.2 The case dismissed at stage one related to a member being unable to take 25% tax free cash from her AVC as she was not eligible to take her main scheme benefits.
- 4.3 Nine cases have been received for stage 2 investigation. Five cases have been dismissed and four cases are on-going.
- 4.4 The five 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 option period.

### **5. Death grant**

- 5.1 So far in this financial year three cases have been referred to the Legal Department for consideration. Two cases are on-going and one has 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.

<b>Employer name</b>	<b>Guarantee Status (Agreement)</b>	<b>No of employees (Scheme members) Agreement type</b>	<b>Status</b>
Prospects Services (Coventry & Warwickshire)	Coventry CC	2(3) Closed	Approved
Aspens Services (Cardinal Wiseman)	Coventry CC	2(2) Closed	Approved
Aspens Services (Nechells Primary)	E-ACT	1(2) Closed	Approved
Aspens Services (Merritts Brook)	E-ACT	3(3) Closed	Approved
Aspens Services (Heartlands)	E-ACT	2(2) Closed	Approved
Aspens Services (Mansfield Green)	E-ACT	7(7) Closed	Approved
Aspens Services (St Georges)	E-ACT	5(5) Closed	Approved
Aspens Services (Whitgreave Junior)	E-ACT	3(3) Closed	Approved
Aspens Services (Shenley)	E-ACT	5(5) Closed	Approved
KCLS Ltd (Manor Park)	Coventry CC	2(2) Closed	Approved
Lend Lease Construction (EMEA) Ltd (The Sixth Form College Solihull)	The Sixth Form College	1(1) Closed	Approved
Maid Marions Ltd (Queensbridge)	Birmingham CC	1(1) Closed	Approved
Priory Education Services Ltd	Birmingham CC	79(79) Closed	Approved

This report is PUBLIC  
[NOT PROTECTIVELY MARKED]

Sodexo Ltd (Oasis Community Learning)	Oasis Community Learning	2(2) Closed	Approved
Alliance in Partnership (Christ the King Catholic Primary School)	Coventry CC	3(3) Closed	Approved
Alliance in Partnership (Holy Family Catholic School)	Coventry CC	3(3) Closed	Approved
Alliance in Partnership Ltd (St Thomas More Catholic School)	Walsall MBC	5(5) Closed	Approved
Compass Contract Services (UK) Ltd (COWAT)	COWAT	10(10) Closed	Approved
Alliance in Partnership (Ltd (Heart of England School)	Heart of England School	7(7) Closed	Approved
Aspens –Services Ltd (West Walsall E-Act)	E-Act	7(7) Closed	Approved
Cleantec Services Ltd (Henley College)	Henley College	4(4) Closed	Approved
Dovetail Group (UK) Ltd (Alderbrook School)	Alderbrook School	3(3) 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 2016 was £442m, of which £17.3m (£8.4m for pensions increase and £8.9m 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 2016	72,622	30,417,966
May 2016	72,595	30,608,940
June 2016	79,468	31,366,610

The June 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 June 2016 was £24.9m, of which £8,977 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 2016	3,782	1,819,099
May 2016	3,774	1,817,278
June 2016	3,829	1,831,370

The June figure includes pensioners paid on a quarterly basis.

## 8. 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.

### 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	1	59	0	0.00
£100 - £500	12	2,994	0	0.00
Over £500	3	10,338	2	6,930
<b>TOTAL</b>	<b>16</b>	<b>13,391</b>	<b>2</b>	<b>6,930</b>

## 8.2 Write-on analysis

Individual Value	Main Fund		WMITA Fund	
	Number	Total (£)	Number	Total (£)
Less than £100	4	179	1	39
£100 - £500	0	0.00	0	0.00
Over £500	0	0.00	0	0.00
<b>TOTAL</b>	<b>4</b>	<b>179</b>	<b>1</b>	<b>39</b>

## 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 43,000 members registered to use the web-portal facility with over 26,000 of those having been authenticated as at 30 June 2016. A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered and authenticated

WMITA - 584

WMPF – 25,601

9.1.2 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 issued electronically to all employers, and the Fund has promoted the service via Trade Union representatives on the Local Pensions Board.

### 9.2 Member Services

9.2.1 In total, the Member Services Team has assisted 1530 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 any pension topics that are requested by an employer for their employees.

The emphasis during this reporting period has been:



This report is PUBLIC  
[NOT PROTECTIVELY MARKED]

- Continuing to 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.
- Providing an overview of the scheme and communicating the benefits the scheme offers.

A total of 30 Fund presentations were delivered to 539 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 56.17% of the members rated them as excellent, 34.75% as very good and 9.08% as 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 11 of these presentations were delivered across 4 employers, 181 members attended.

### 9.2.3 Roadshows

During this reporting period we piloted delivering Roadshow events to our Local Authorities depots, Colleges and Universities. This proved to be a success and we aim to deliver Roadshow events at these locations on an annual basis going forward.

Roadshow Statistics for this reporting period are:

Location	Attendees
Perry Barr Depot - Birmingham	36
Redfern Road Depot – Birmingham C.C	47
2 x Montague Street Depot – Birmingham C.C.	74
Lifford Lane Depot – Birmingham C.C.	45
Lister Road Depot – Dudley M.B.C.	70
Leys Depot – Dudley M.B.C.	68
Bournville College	23
Dudley College	25
Solihull College	49
City College Coventry	27
Wolverhampton Uni - Wolverhampton Campus	21
Wolverhampton Uni - Walsall Campus	39
Wolverhampton Uni - Telford Campus	15
Henley College	21
South City College Roadshow Event	25
<b>Totals</b>	<b>585</b>

#### 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 225 members on an individual basis.

### 10. Pension Administration Software

- 10.1 The Fund has been using the current core software system, UPM2 from Civica UK since 2007, and the predecessor of this product UPM from 2001. The software is currently licenced on a rolling 12 monthly agreement.
- 10.2 Whilst the Fund continues to have some concerns about the supplier relationship with regard to late software delivery and commitment to timescales, similar issues are also being experienced by customers of the alternative suppliers.
- 10.3 As the Fund has invested significantly in the in-house development and exploitation of the UPM2, the additional costs to implement a replacement system to deliver to the level of our current software are significant (estimated in excess of £500k for both internal and external costs).
- 10.4 Significant further developments to improve the product in partnership with the supplier are already planned over the next 12 months. These include a significant upgrade to the member web portal that will deliver the following benefits:-
  - A new modern and flexible design that works with on multiple devices, including notepads and mobile phones
  - Potential for greater self-service, providing a better online experience for members and processing efficiencies for the Fund
  - Current member web registrations can be transferred to the new system
- 10.5 A recent review has been undertaken of our software contractual arrangements and for a limited period (until 31 March 2017) there is the opportunity to relicense the UPM2 product under the Kent framework agreement, without the requirement to retender. Relicensing under the framework would be fully compliant with EU procurement rules and this contract is already in place for 8 of the 12 LG funds using Civica's UPM2.
- 10.6 Included in the extensive negotiations for the relicensing of the software the Fund's concerns over delivery commitments have been responded to in detail at Director level from within Civica. This response has given us some reassurance that the company are committed to our relationship as a strategic partner to continue to develop / exploit the UPM2 software product.
- 10.7 Consequently, the Fund is proposing to relicense the current administration software under the Kent Framework agreement based on an initial contractual term of 4½ years through to March 2021. The framework also allows for an optional extension up to an additional 2½ years (ie. a maximum of 7 years in total).

10.8 Financially the revised agreement will result in a cost neutral position over the term for ongoing support and maintenance for UPM2 but provides free consultancy to the value of £25k and savings on the web software upgrades of £45k.

10.9 The additional costs for upgrading the member web portal are £62k for the initial licence and implementation services plus an annual licence of £10k. These figures include the discounts mentioned in the previous paragraph.

## **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