

# Pensions Committee

## 7 December 2016

<b>Report Title</b>	Pensions administration report from 1 July to 30 September 2016	
<b>Originating service</b>	Pension Services	
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<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of 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 July to 30 September 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 September 2016 stands at 294,160, with an overall increase since June 2016 of 1,360. 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 5,099 on 30 September 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 30 June 2016 and 30 September 2016.

	Membership as at 30th June 2016			Movements during the period			Membership as at 30th September 2016		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	458	0	458	-18	0	-18	440	0	440
Deferred Members	785	16	801	-8	0	-8	777	16	793
Pensioner Members	3,730	119	3,849	18	-1	17	3,748	118	3,866
<b>Total Members</b>	<b>4,973</b>	<b>135</b>	<b>5,108</b>	<b>-8</b>	<b>-1</b>	<b>-9</b>	<b>4,965</b>	<b>134</b>	<b>5,099</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 July to 30 September 2016.
- 3.3.2 During the period covered by this report 39,154 administrative processes were commenced and 34,098 completed. On 30 September 2016 there were 30,266 items of work outstanding. Of this, 3,611 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, 26,561 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.3.3 The number of active processes remains high, however, from 1 July 2016 – 30 September, the Fund has seen a slight decrease in the volume received. The total number of processes outstanding remains due to a backlog which was created through 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). In addition, as part of the increased focus on data quality a number of additional processes have been started and historic outstanding work is now being actioned by employers.
- 3.3.4 The Fund is implementing a number of work programmes to target key processes where high volumes exist. Initial focus has been on the processing of retirement benefits and progress has already been achieved in reducing these volumes and the processing timescales from 8 weeks to 3-4 weeks. Other areas of focus include deferments (set up and issue of deferred pension record for early leavers) and the transfer of benefits to other schemes.
- 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 582 administrative processes were commenced and 568 completed. On 30 September 2016 there were 184 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 25 new organisations being admitted during the period 1 July 2016 – 30 September 2016. The current number of employers as at 30 September 2016 is 570. The level of on-going work being processed at the end of the period is as follows:-
- 48 admission agreements
  - 23 academies
  - 37 employer terminations

### **3.6 Customer services**

- 3.6.1 An overview of our front-line customer contact activity is shown in Appendix D. This outlines the variety and volume of support provided by the Fund to address members' fundamental pension queries.
- 3.6.2 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.
- 3.6.3 We continue to provide a high quality response rate at first point of contact for telephone calls and pension fund enquiry emails. Due to high volumes of calls following the production of benefit statements and NIL ABS letters to active members at the end of August, the Fund narrowly missed the Key Performance Indicator (KPI) of 85% or above for call response rate, achieving 83.90% in September.
- 3.6.4 The majority of pension fund enquiries received (97%) are responded to immediately by the Customer Services team. Those emails which aren't resolved immediately start a new process on the UPM administrative system or are added to an existing operational/payroll process as they require completion by the Operational or Payroll teams. These will include requests for fund values to be calculated, retirement forms etc.

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

- 4.1 So far in the 2016/2017 financial year there have been three cases referred to Stage one of the procedure against the Fund. All three appeals were dismissed.
- 4.2 The cases dismissed at stage one related to:
- Being unable to take 25% tax free cash from the AVC as the member was not eligible to take their main scheme benefits.
  - Appeal against the 85 year rule not applying after taking flexible retirement.
  - Incorrect calculation of service on deferred benefits.
- 4.3 Fourteen cases have been received for stage 2 investigation. Seven cases have been dismissed and five cases are on-going, and two have been up-held. Those that were upheld, one related to the delay in payment of an AVC and the other was in regards to the early payment of deferred benefits on ill health.
- 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 period.

## 5. Death grant

5.1 So far in this financial year three cases have been referred to the Legal Department for consideration. One case is on-going and the other two cases 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.

<b>Employer name</b>	<b>Guarantee Status (Agreement)</b>	<b>No of employees (Scheme members) Agreement type</b>	<b>Status</b>
Schools Plus Ltd (John Henry Newman Catholic College)	John Henry Newman Catholic College	1(1) Closed	Approved
Aspens-Services Ltd (Hillcrest School)	Hillcrest School and Sixth Form Centre	6(6) Closed	Approved
Taylor Shaw Ltd (Broadway Academy)	Broadway Academy	8(8) Closed	Approved
Taylor Shaw Ltd (Chivenor Primary School)	Griffin Schools Trust	4(4) 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 September 2016 was £445m, £17.1m of which (£8.3m for pensions increase and £8.8m 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 £
July 2016	72,938	30,923,166
August 2016	71,178	31,021,816
September 2016	80,290	31,715,102

The September 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 September 2016 was £25m, of which £5,400 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 £
July 2016	3,781	1,818,145
August 2016	3,788	1,843,680
September 2016	3,855	1,848,276

The September figure includes pensioners paid on a quarterly basis.

8. **Write-off policy decisions**

A write –off relates to pensions overpaid to members, after following 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 death of members.

A write-on relates to monies due to the members estate in order to make pension payments up to date of death. After correspondences, 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	0	0.00	0	0.00
£100 - £500	18	2,900.88	1	448.54
Over £500	3	4,067.19	0	0.00
<b>TOTAL</b>	<b>21</b>	<b>6,968.07</b>	<b>1</b>	<b>448.54</b>

## 8.2 Write-on analysis

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	6	247.70	0	0
£100 - £500	0	0.00	0	0
Over £500	0	0.00	0	0
<b>TOTAL</b>	<b>6</b>	<b>247.70</b>	<b>0</b>	<b>0</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 45,000 members registered to use the web-portal facility with over 27,000 of those having been authenticated as at 30 September 2016. A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered and authenticated

WMITA - 584

WMPF – 26,828

9.1.2 With the Fund increasing the functionality available on web portal and electronic working, we continually seek feedback on the services provided by the web portal to ensure they meet user's needs. As part of this review, the Fund have improved the registration process for members, enabling the issue of activation codes to authenticate accounts via email rather than through the post. This change not only reduces work for Fund Officers, but is a more efficient process for the member. An analysis will be produced of the impact of this change and will be reported at the next Committee meeting.

## 9.2 Member Services

9.2.1 In total, the Member Services Team has assisted 901 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:

- Planning, developing and enhancing our service.
- Welcoming new staff to our team and producing a Member Services development plan.
- 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 9 Fund presentations were delivered to 107 attendees, these presentations were held at 9 different employers, including the district councils, universities, schools/academies and other admitted bodies.

The feedback from these presentations was 31.75% of the members rated them as excellent, 56% as very good, 11.75% as good and 0.5% as satisfactory.

The Fund works in partnership with Prudential to deliver a joint presentation covering how the Scheme works and tax efficient methods of saving towards the future. During this period 13 of these presentations were delivered across 5 employers, 417 members attended.

### 9.2.3 Roadshows

During this reporting period the Fund started to deliver Roadshow events at our local authority sites. The roadshow Statistics for this reporting period are:

Location	Attendees
Dudley M.B.C.	37
Birmingham C.C	95
Walsall M.B.C.	39
Coventry City Council	106
<b>Totals</b>	<b>277</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 104 members on an individual basis.



## **10. GMP Reconciliation**

- 10.1 Contracting out of the state second pension (formerly SERPS) on a Guaranteed Minimum Pension (GMP) basis operated between 1978 and 1997. However, in April 2016 the Government replaced the earnings-related state pension arrangements with a single-tier State Pension.
- 10.2 The introduction of the single-tier state pension from April 2016 has brought about the end of contracting out for defined benefit (DB) schemes and has triggered a requirement for schemes to reconcile their contracted out membership and GMP records with those held by HM Revenue & Customs (HMRC).
- 10.3 GMP reconciliation allows administrators to check their contracted out records against those held by HMRC, resolving any differences between the two sets of records. HMRC have set up a Scheme Reconciliation Service (SRS) to assist pension scheme administrators to reconcile their records for all non-active members (which includes; Early leaver, Pensioner, Widow, Widower/Civil Partner, Incomplete record) against HMRC records in advance of the ending of contracting-out in April 2016.
- 10.4 This work for the Fund is being managed in 3 key stages:
- Stage 1: Data Analysis
  - Stage 2: GMP reconciliation cycle
  - Stage 3: Active member reconciliation (January 2017 – December 2018)
- 10.5 The Fund is progressing with Stage 1, which involves the reconciliation of the data it holds against the record of HMRC and has engaged with a third party reconciliation provider, Equiniti who are completing a detailed analysis of the two sets of data. Following initial analysis discrepancies will be issued in bulk to HMRC requesting further information. It is anticipated that this initial work will be completed by the end of 2016.
- 10.6 Following this piece of work, the Fund will be able to understand the full scope of the reconciliation work that will be involved.

## **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