

# Pensions Committee

22 March 2017

<b>Report Title</b>	Pensions Administration Report from 1 October to 31 December 2016	
<b>Originating service</b>	Pension Services	
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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 October to 31 December 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 December 2016 stands at 296,542, with an overall increase since September 2016 of 2,382. 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 fully 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 5,088 on 31 December 2016, 8% are active members, 16% are deferred and the largest group are pensioner members at 76% 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 September 2016 and 31 December 2016.

	Membership as at 30 September 2016			Movements during the period			Membership as at 31 December 2016		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	440	0	440	-18	0	-18	422	0	422
Deferred Members	777	16	793	-5	0	-5	772	16	788
Pensioner Members	3,748	118	3,866	12	0	12	3,760	118	3,878
<b>Total Members</b>	<b>4,965</b>	<b>134</b>	<b>5,099</b>	<b>-11</b>	<b>0</b>	<b>-11</b>	<b>4,954</b>	<b>134</b>	<b>5,088</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 October to 31 December 2016.
- 3.3.2 During the period covered by this report 30,260 administrative processes were commenced and 28,335 completed. On 31 December 2016 there were 29,205 items of work outstanding. Of this, 3,692 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, 25,502 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, from 1 October to 31 December 2016, the Fund has seen an increase in the volumes received. The total number of processes outstanding remains high 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. In addition, there continues to be a residual impact on backlogs due to the changes to a number of calculation factors (as determined by the Government Actuary Department) in April 2016.
- 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 been made reducing these volumes and the processing timescales from 8 weeks to less than 3 weeks, back within the Funds Key Performance Indicator (KPI) of 3 weeks. Further key areas of focus include the transfer of benefits to other schemes, progress has been made with transfer to non Local Government pension schemes back within the appropriate KPI, with the focus moving to transfers to other Local Government funds. Deferments will continue to be a focus area with additional resource allocated to assist in addressing the increased volume of work in this area.
- 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 452 administrative processes were commenced and 463 completed. On 31 December 2016 there were 163 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 October to December 2016. The current number of employers as at 31 December 2016 is 589. The level of on-going work being processed at the end of the period is as follows:-

- 49 admission agreements
- 25 academies
- 40 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' pension queries. An indication of the statistics for the previous year is included within the charts as a comparative measure.

3.6.3 We continue to provide a high response rate at first point of contact for telephone calls and pension fund enquiry emails. The Fund met the Key Performance Indicator (KPI) of 85% or above for call response rate, achieving an average of 88.34% during the period 1 October to 31 December 2016.

3.6.4 The majority of pension fund enquiries received (96.69%) are responded to within 10 days 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 include requests for transfer 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 four cases referred to Stage one of the procedure against the Fund. All four appeals were dismissed.

4.2 The cases dismissed at stage one related to:

- A member being unable to take 25% tax free cash from the AVC as the member was not eligible to take their main scheme benefits.
- A member who retired on flexible retirement and received reduced benefits.
- A member whose service was incorrectly calculated in their deferred benefits.
- A member that was unable to transfer out their deferred benefits as they had active membership.

4.3 Eighteen cases have been received for stage 2 investigation. Twelve cases have been dismissed. Three cases have been upheld and three cases are ongoing.

4.4 The twelve 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.
- The Tier of ill-health awarded.
- Incorrect estimate provided by an employer.

4.5 Two of the cases upheld were relating to ill-health and the other one was regarding late payment of AVC benefits.

## 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 ongoing and the other 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.

Employer name	Guarantee Status (Agreement)	No of employees (Scheme members) Agreement type	Status
Baxterstory Ltd (University of Birmingham)	University of Birmingham	8(8) Closed	Approved
Dolce Ltd (Minworth Junior & Infant)	Birmingham City Council	2(2) Closed	Approved
Dolce Ltd (Wylde Green Primary School)	Birmingham City Council	3(2) Closed	Approved
Premier Support Services (Yew Tree Community school)	Birmingham City Council	1(1) Closed	Approved
Catering Academy (Radford Primary Academy)	Sidney Stringer Academy Trust	1(1) 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 December 2016 was £448m, £17.0m of which (£8.2m 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 £
October 2016	73,667	31,313,732
November 2016	74,024	31,545,183
December 2016	81,290	32,193,244

The December 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 December 2016 was £25m, of which £4,500 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 £
October 2016	3,802	1,827,632
November 2016	3,799	1,823,815
December 2016	3,864	1,842,874

The December 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	1	72	1	153
£100 - £500	20	5,758	0	0
Over £500	10	25,776	0	0
<b>TOTAL</b>	<b>31</b>	<b>31,606</b>	<b>1</b>	<b>153</b>

### 8.2 Write-on analysis

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	4	139	0	0
£100 - £500	0	0	0	0
Over £500	0	0	0	0
<b>TOTAL</b>	<b>4</b>	<b>139</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 28,000 of those having been authenticated as at 31 December 2016. A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered and authenticated

WMITA - 597

WMPF – 27,551

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. Initial feedback is that this change has been welcomed by members.

## **9.2 Member Services**

9.2.1 In total, the Member Services Team has assisted 1375 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.
- Providing support and guidance to members near their place of work through the Pensions Roadshow Bus
- Delivering and planning joint Fund and Prudential events
- 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 21 Fund presentations were delivered to 268 attendees, these presentations were held at a variety different employers, including the district councils, universities, schools/academies and other admitted bodies.

The feedback from these presentations was 50.13% of the members rated them as excellent, 38.18% as very good and 11.69% as good.

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 24 of these presentations were delivered across 7 employers, 528 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
Solihull M.B.C.	46
Birmingham C.C	115
Sandwell M.B.C.	86
Wolverhampton City Council	71
<b>Totals</b>	<b>318</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 261 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. We are still awaiting active data from HMRC.
- 10.4 This work for the Fund is being managed in 3 key stages:
- Stage 1: Data Analysis for non active members
  - Stage 2: GMP reconciliation cycle
  - Stage 3: Active member reconciliation (to be completed by 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, who are completing a detailed analysis of the two sets of data. Following initial analysis discrepancies have been issued in bulk to HMRC requesting further information.

- 10.6 The Fund formally responded in February 2017, to the Government consultation on indexation and equalisation of GMP in public service pension schemes. The outcome of this may impact the scope of reconciliation work that the Fund will be required to undertake.

## **11. Exit Payment Update**

- 11.1 Effective 1 February 2017 under the Enterprise Act 2016, the power to make regulations to restrict public sector exit payments became effective. This is the enabling legislation which would allow a cap to be introduced in the future. In effect the exit cap is dormant. We await a further consultation from DCLG on how to apply the exit cap and the impact on pensions.

## **12. Supreme Court Judgement on 8 February 2017**

- 12.1 An application was made by Denise Brewster for Judicial Review concerning a requirement in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2009, that unmarried co-habiting partners be nominated by their pension scheme member partner in order to be eligible for a survivor's pension. The survivor must also show that he or she has been a cohabitant for two years before the date on which the member sent the nomination and has been in that position for two years before the date of death. There is no similar nomination requirement for married or civil partner survivors.
- 12.2 The LGPS 2014 regulations removed the need for cohabiting partners to have to make a nomination and the Transitional Regulations 2014 – 17(9)(b) also removed the nomination requirement for members of the 2008 scheme who died on and after 1 April 2014.
- 12.3 The Government is considering the implications of the judgment, if any, for public service schemes.

## **13. Financial implications**

- 13.1 The report contains financial information which should be noted.
- 13.2 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.

## **14. Legal implications**

- 14.1 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.

**15. Equalities implications**

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

**16. Environmental implications**

16.1 The report contains no direct environmental implications.

**17. Human resources implications**

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

**18. Corporate landlord implications**

18.1 The report contains no direct corporate landlord implications.

**19. Schedule of background papers**

19.1 None.

**20. Schedule of appendices**

20.1 Appendix A: Overall membership numbers

20.2 Appendix B: Process analysis

20.3 Appendix C: Detailed process analysis

20.4 Appendix D: Customer service statistics