

Pensions Committee

6 September 2017

Report Title	Pensions Administration Report from 1 April to 30 June 2017	
Originating service	Pension Services	
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Recommendation 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 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 2017 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 2017 stands at 305,078, with an overall increase since March 2017 of 2,985. 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 5,048 on 30 June 2017, 8% are active members, 15% are deferred and the largest group are pensioner members at 77% 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 2017 and 30 June 2017.

	Membership as at 31st March 2017			Movements during the period			Membership as at 30th June 2017		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	402	0	402	-13	0	-13	389	0	389
Deferred Members	764	15	779	-9	0	-9	755	15	770
Pensioner Members	3,772	117	3,889	-1	1	0	3,771	118	3,889
Total Members	4,938	132	5,070	-23	1	-22	4,915	133	5,048

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 2017.
- 3.3.2 During the period covered by this report 35,576 administrative processes were commenced and 31,473 completed. On 30 June 2017 there were 34,052 items of work outstanding. Of this, 4,270 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, 29,782 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 April to 30 June 2017, 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 to action work relating to historic outstanding data employers are providing and to address known issues in relation to current routine submissions. We also continue to see the impact of the 2014 scheme changes where members were given the choice to aggregate their benefits rather than this happening automatically. This has resulted in higher volumes of processes remaining uncompleted until member elections are received or 12 months lapses.
- 3.3.4 The Fund is implementing a number of work programmes to target key processes where high volumes exist. Key areas of focus this quarter include the transfer of benefits to other schemes. Transfer to non Local Government pension schemes are back within the appropriate KPI with high volumes cleared, and the team is now targetting transfers to other Local Government funds.
- 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 568 administrative processes were commenced and 588 completed. On 30 June 2017 there were 119 items of work outstanding.

3.5 Key Performance Indicators (KPIs)

- 3.5.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements further details are show in the Service Plan Monitoring Report.
- 3.5.2 Transfer KPIs have been impacted by the Government change in calculation basis and factors in 2016. Compounded by a further change in the 'transfer club' factors in April 2017. The cases are being processed but this continues to impact KPIs.

3.5.3 Retirement notification of estimated benefits have been impacted by the late notification of Statutory Revaluation Orders. Additional information is provided in Appendix D detailing the information by month.

3.6 Employer membership data

3.6.1 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 to 31 March 2017. The current number of employers as at 30 June 2017 is 610. The level of on-going work being processed at the end of the period is as follows:-

- 61 admission agreements
- 27 academies
- 55 employer terminations

For more information see paragraph 6.

3.7 Customer services

3.7.1 An overview of our front-line customer contact activity is shown in Appendix E. 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.

3.7.2 Unfortunately during April and May, the Fund fell slightly short of the overall KPI of 85%. The primary reasons for this were as follows:

- An increase in call volume
- An increase in email volume
- An increase in web portal 'ask a question' queries
- Unforeseen resourcing issues (e.g. sickness)

The increase in customer contact can be attributed to the effect of cost-saving/redundancy programmes implemented by individual employers.

3.7.3 The majority of pension fund enquiries received (97.78%) 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 more detailed investigation and completion by the Operational or Payroll teams. These include requests for transfer values to be calculated, retirement forms etc.

3.7.4 We are continuing to see a trend of increasing customer enquiries including a preference for electronic communications among members.

4. IDRP (Internal Dispute Resolution Procedure) casework

- 4.1 So far in the 2017/2018 financial year there has been two cases referred to Stage one of the procedure against the Fund. Both cases are still on-going.
- 4.2 Five cases have been received for stage 2 investigation. Two cases have been dismissed. Three cases are still on-going.
- 4.3 The cases dismissed at stage 2 related to the following pension issue:
- Exercise of employer discretion on the early payment of deferred benefits from age 55.

5. Death grant

- 5.1 In this financial year no new cases have been referred to the Legal Department for consideration. All cases from 2016/2017 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 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 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
Murray Hall Community Trust (Rowley and Tipton)	Sandwell MBC	8(8) Closed	Approved
Churchill Contract Services Ltd (Finham Park MAT)	Finham Park MAT	16(16) Closed	Approved
KWB Corporate Cleaning Ltd (Boldmere School)	Birmingham City Council	6(5) Closed	Approved
Caterlink Ltd (John Paul II MAT)	John Paul II MAT	8(8) Closed	Approved
Compass Contract Cleaning Services (UK) Ltd (Arthur Terry)	Arthur Terry Learning Partnership Ltd	15(15) Closed	Approved
MCS Cleaning & Maintenance Ltd (ARK Academies)	ARK Academies	10(10) Closed	Approved
Caterlink Ltd (The Futures Trust)	The Futures Trust	6(6) Closed	Approved

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Aspens-Services Ltd (Fairfax MAT)	Fairfax MAT	N/K Closed	Approved
Places For People (Sparkhill)	Birmingham City Council	2(2) Closed	Approved
Greenwich Leisure Ltd	Dudley MBC	121(121) Closed	Approved
Mellors Catering Services (Grestone Academy)	Grestone Academy	8(8) Closed	Approved
ABM Catering Ltd (Thornton Primary School)	Birmingham City Council	5(5) Closed	Approved
Bentley Federation Childcare Services	Walsall MBC	12(12) Closed	Approved
Churchill Contract Services Ltd (Queensbridge School)	Birmingham City Council	1(1) Closed	Approved
Churchill Contract Services Ltd (Stoke Park School)	Coventry City Council	12(12) Closed	Approved
Churchill Contract Services Ltd (Wodensfield Primary School)	City of Wolverhampton Council	6(4) Closed	Approved
KCLS Ltd (Stanton Bridge Primary School)	Stanton Bridge MAT	5(5) Closed	Approved
KCLS Ltd (St Annes Primary School)	Coventry City Council	2(2) Closed	Approved
Solo Service Group (Aldridge School)	Aldridge School an Academy	1(1) Closed	Approved
Aspens-Services Ltd (Bantock Primary School)	City of Wolverhampton Council	4(4) Closed	Approved
Aspens-Services Ltd (Lanesfield Primary School)	City of Wolverhampton Council	3(3) Closed	Approved
Aspens-Services Ltd (Meridale Primary School)	City of Wolverhampton Council	2(2) Closed	Approved
Aspens-Services Ltd (Foxyards Primary School)	Dudley MBC	4(4) Closed	Approved
Action for Children (Smethwick and Oldbury)	Sandwell MBC	12(12) Closed	Approved
Action for Children (West Bromwich)	Sandwell MBC	10(10) Closed	Approved

6.2.1 There has been an increase in volume up to 30 June 2017, due largely to academy schools outsourcing services and this is expected to be seasonal in nature but the Employer Services team are monitoring this trend.

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 2017 was £464m, £17m of which (£8.3m for pensions increase and £8.7m 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 2017	74,722	31,818,103
May 2017	74,681	32,461,501
June 2017	82,074	33,154,468

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 2017 was £23m, of which £4,488 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 2017	3,824	1,856,668
May 2017	3,813	1,859,276
June 2017	3,873	1,883,365

The June 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	2	107	0	0
£100 - £500	15	3,561	0	0
Over £500	4	4,448	0	0
TOTAL	21	8,116	0	0

8.2 Write-on analysis

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	3	190	0	0
£100 - £500	0	0	0	0
Over £500	0	0	0	0
TOTAL	3	190	0	0

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 51,000 members registered to use the web-portal facility with just over 33,000 of those having been authenticated as at 30 June 2017. A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered and authenticated

WMITA - 658

WMPF – 32,451

9.1.2 Existing registered members will transition across to the new member web portal. The Fund and employers are promoting use of the new member web portal and we would expect this to increase numbers registered over the coming quarters. New monitoring of web portal access will be in place from September 2017.

9.1.3 **New Member Web Portal**

Over this period member services, in conjunction with customer services, are planning tailored communication packages for several of our employers to assist in the launch of the new My Pensions Portal on the 21 August 2017. The objective is to increase the amount of members managing their pension accounts online. The initial step towards achieving this is via discussions with employers (primarily district councils at this stage) with regards to the different avenues that they communicate with their employees which the Fund can utilise to advertise My Pensions Portal to ensure maximum exposure. The Fund is currently in the process of designing material to assist the marketing campaign. The Fund will report back to Committee at future meetings, to include a plan of engagement and promotion of the new My Pensions Portal, and also the levels of members registered and activated on this facility.

9.2 **Member Services**

9.2.1 In total, the Member Services Team has assisted 1257 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 a variety of 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.
- Supporting those members who are at risk of redundancy or maybe facing reductions in pay.
- Providing support and guidance to members at local authority depot sites and further and higher educational establishments using the Pension Roadshow Bus.
- Planning and delivering joint Fund and Prudential events.
- Providing an overview of the scheme and communicating the benefits the scheme offers.

A total of 24 Fund presentations were delivered to 353 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 48% of the members rated them as excellent, 36.5% as very good and 14.5% as good and 1% as satisfactory.

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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 7 employers, 114 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:

Date	Venue	Attendees
4 April 2017	Redfern Road Depot	41
5 April 2017	Perry Barr Depot	63
6 April 2017	Montague Street Depot	65
7 April 2017	Leys Lane Depot	78
23 May 2017	BMET – Stourbridge Campus	25
24 May 2017	BMET- Matthew Boulton Campus	18
26 May 2017	The Sixth Form College, Solihull	30
6 June 2017	Sandwell College	31
7 June 2017	Halesowen College	45
8 June 2017	City College Coventry	30
12 June 2017	City of Wolverhampton College	31
13 June 2017	Bournville College	52
14 June 2017	Dudley College	37
15 June 2017	Walsall College	41
	Total Attendees	587

9.2.4 Lower income presentation

To ensure the Fund covers a diverse cross section of our members and employers over the West Midlands, we are in the initial stages of designing a presentation for 'lower earners', in particular support staff at schools and academies. Based on previous feedback, some members can find some of the existing presentations too detailed and lengthy. A short LGPS & You presentation will be designed, which covers only the key principles of the LGPS, and the length of the presentation has been reduced to take into account the working patterns of schools and academies.

9.2.5 Pensioner engagement

The Fund has identified that more communication is required with pensioners and to provide more support to assist them with the transition from leaving employment to becoming a pensioner. As a result, the Fund is setting up a Pensioner Engagement

Forum which will take place on the 18 October in order to seek feedback on the following areas:-

- Pensioner section on the Funds website
- How pensioners use web portal
- The look and feel of retirement – and how we can help
- Piloting a retirement planning workshop
- Pensioner newsletter

9.2.6 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 203 members on an individual basis.

10.0 Mid-Year Review

10.1 Mid-year review was held at the Molineux Stadium on 5 July 2017. Survey results indicate the mid-year review was rated as either good or excellent by 92.85% of respondents and 7.15% rated mid-year review as satisfactory.

11. GMP Reconciliation

- 11.1 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.
- 11.2 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).
- 11.3 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.
- 11.4 This work for the Fund is being managed in 3 key stages:
- Stage 1: Comparison of the HMRC data with the Fund data and analysis of mismatches on members, contracted out dates and GMP amounts.
 - Stage 2: Resolving disputed membership and agreeing GMP amounts.
 - Stage 3: Updating the pension administration system and performing rectification calculations where necessary.

- 11.5 Stage 1 has been completed for deferred and pensioner members, stage 1 for active members is being progressed Stage 1 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. To date 46,000 discrepancies for non active members have been raised with HMRC, current turnaround times for HMRC responses are 4 to 8 months.
- 11.6 The Fund has met with the system provider and their reconciliation partner on 19 July 2017. The Fund is considering three proposals on how to progress with the reconciliation. An updated data refresh has been requested from HMRC on 31 July 2017.

12. Supreme Court Case – Walker v Innospec

- 12.1 On 12 July 2017 the Supreme Court made a judgement which has potential implications for schemes who offer differing survivors' pension benefits depending on whether their relationship is a civil partnership, same sex marriage or opposite sex marriage.

The Equality Act 2010 contains an exemption which permitted pension schemes to discriminate in the survivor benefits it offered. The Supreme Court ruled that this was incompatible with EU law.

The possible impacts of this ruling on public service pension schemes, including the LGPS is being considered by the Government. A potential impact to note is in relation to pre 2008 scheme rules, this would represent a retrospective change.

13. General Data Protection Regulation (GDPR)

- 13.1 GDPR is regulation from the European Union which was approved by the EU Parliament on 14 April 2016 and is effective from 25 May 2018. GDPR tightens the requirements which impact how pension schemes obtain member consent for the data they hold and process. The Fund continues to make preparations for the new regulations.

14. Financial implications

- 14.1 The report contains financial information which should be noted.
- 14.2 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.

15. Legal implications

- 15.1 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.

16. Equalities implications

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

17. Environmental implications

17.1 The report contains no direct environmental implications.

18. Human resources implications

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

19. Corporate landlord implications

19.1 The report contains no direct corporate landlord implications.

20. Schedule of background papers

20.1 None.

21. Schedule of appendices

21.1 Appendix A: Overall membership numbers

21.2 Appendix B: Process analysis

21.3 Appendix C: Detailed process analysis

21.4 Appendix D: Key performance indicators (KPIs)

21.5 Appendix E: Customer service statistics