

Pensions Committee

13 December 2017

Report Title	Pensions Administration Report from 1 July to 30 September 2017	
Originating service	Pensions	
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Recommendation 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 July to 30 September 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 September 2017 stands at 306,673, with an overall increase since June 2017 of 1,595. 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 starting to fall and pensioners and deferred membership continues to rise.

3.2 Membership movement – WMITA Fund

- 3.2.1 The number of scheme members in the WMITA Fund in all three categories stood at 5,035 on 30 September 2017, 7.5% are active members, 14.9% are deferred and the largest group are pensioner members at 77.6% of the total membership. The Fund is closed to new joiners but active members continue to accrue benefits. Detailed below are current membership numbers showing movements between 30 June 2017 and 30 September 2017.

	Membership as at 30 th June 2017			Movements during the period			Membership as at 30 th September 2017		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	389	0	389	-12	0	-12	377	0	377
Deferred Members	755	15	770	-20	-1	-21	735	14	749
Pensioner Members	3,771	118	3,889	20	0	20	3,791	118	3,909
Total Members	4,915	133	5,048	-12	-1	-13	4,903	132	5,035

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 2017.

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3.3.2 During the period covered by this report 39,613 administrative processes were commenced and 36,640 completed. On 30 September 2017 there were 32,847 items of work outstanding. This represents an overall reduction of 1205 items outstanding compared to 30 June 2017 (34,052). Of the 32,847 items of work outstanding, 3,602 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, 29,245 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 July to 30 September 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 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 626 completed. On 30 September 2017 there were 120 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 shown in the Service Plan Monitoring Report.

3.5.2 A key area of focus has been retirement KPIs which have shown notable improvements in October 2017. Progress has also been made in increasing performance in relation to the issue of retirement quotations. Issuance of deferred retirement quotations was above 92% for October 2017 and active retirement quotations was 65% for October 2017 with the retirement team currently working back within KPIs which will be reflected in the KPI for November 2017.

3.5.3 During the period covered by this report KPIs particularly transfers in and out have increased in the month of September, reflecting that increased focus has been given to improving this service area.

3.6 Employer membership

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 11 new

organisations being admitted during the period 1 July to 30 September 2017. The current number of employers as at 30 September 2017 is 614. The level of on-going work being processed at the end of the period is as follows: -

- 76 admission agreements
- 33 academies
- 69 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 During July and August, the Fund's call response rate fell slightly short of the 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)

3.7.3 The increase in customer contact can be attributed to the effect of redundancy programmes implemented by individual employers along with the implementation of the new member Pensions Portal.

During August, additional support was provided to the team in order to manage the increased workload. As result of this support, the KPI was achieved in September.

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

The Fund is exploring ways in which efficiencies can be identified to manage the customer contact received. Potential improvements in both our systems and internal processes are being investigated at this stage. These improvements will then be investigated as part of the council-wide Digital Transformation Programme and in conjunction with our system provider, Civica.

3.7.5 All pension fund enquiries received are acknowledged or responded to by the Customer Services team. The general enquiry 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. Where a request for a calculation is received, the Customer Services Team acknowledge the request and start an operational process.

4. IDRP (Internal Dispute Resolution Procedure) casework

- 4.1 During the 2017/2018 financial year to date there has been four cases referred to Stage one of the procedure appealing to the Fund. One case has been up-held, one case has been dismissed and the other two cases are on-going.
- 4.2 Eight cases have been received for stage 2 investigation. Four cases have been dismissed. Four 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.

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
Compass Contract Services (UK) Ltd (Moseley School)	Birmingham City Council	9(9) Closed	Approved
Compass Contract Services (UK) Ltd (Smestow School)	Educational Central MAT	7(7) Closed	Approved
Compass Contract Services (UK) Ltd (Wednesfield High School)	Education Central MAT	5(5) Closed	Approved
The Springfield Project	Birmingham City Council	3(3) N/K	Approved
Barnardos (Birmingham)	Birmingham City Council	111(111) Closed	Approved
Aspens (Cottesbrook)	Cottesbrook Infant and Nursery School	5(5) Closed	Approved
Caterlink (Stoke Park School)	The Futures Trust	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 September 2017 was £393m, £11.2m of which (£5.5m for pensions increase and £5.7m 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 £
July 2017	75,067	32,562,385
August 2017	75,067	32,515,113
September 2017	82,893	33,370,840

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 2017 was £25.5m, 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 £
July 2017	3,821	1,908,866
August 2017	3,834	1,890,208
September 2017	3,901	1,906,006

The September figure includes pensioners paid on a quarterly basis.

8. Write-off policy decisions

8.1 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.

8.2 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.

8.3 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	5	376	0	0
£100 - £500	32	8,188	2	494
Over £500	5	4,198	2	6,356
TOTAL	42	12,762	4	6,850

8.4 Write-on analysis

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	5	101	0	0
£100 - £500	2	210	0	0
Over £500	0	0	0	0
TOTAL	7	311	0	0

9. Transfer Out Cases

9.1 Transfer values over recent years have become a topical issue due to the introduction of Freedom and Choice on 6 April 2015. Freedom and Choice has been introduced in order to give members of defined contribution pension arrangements more flexibility around how they can access their pension benefits. The LGPS is a defined benefit scheme and is covered under the legislation to the extent that protections are included to help safeguard members benefits when members may be considering transferring from a defined benefit to a defined contribution arrangement. An example of this is the requirement that on transfers above £30,000, independent financial advice must be obtained before a transfer can proceed.

The Fund is currently reviewing whether the numbers and amounts of transfer out payments have increased compared to before the introduction of Freedom and Choice, a further update will be provided in the next quarterly report.

9.2 During the period 1 July to 30 September 2017, 320 transfer values were issued to members considering transferring their benefits out of the scheme.

- 9.3 In total 68 transfer payments made during the period 1 July to 30 September 2017 resulting in a total amount transferred of £4,332,900. This amount is broken down as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	33
£30,001 to £100,000	20
£100,001 to £200,000	11
£200,000 to £300,000	2
£300,001 to £400,000	2
£400,001 to £500,000	0
Above £500,001	0
Total	68

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.
- 10.4 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.
- 10.5 Active member data has been received along with refreshed deferred data. A system is in place to ensure efficient electronic delivery on to member records with reconciliation ongoing.
- 10.6 On 30 August 2017, at the request of HM Treasury, all LGPS funds were surveyed to determine the overall position with regard to the contracted-out reconciliation process. The results indicated that out of 67 funds who responded and which represents 4.4 million members (active, deferred and pensioner members) it would appear that

approximately 1.9 million records have been reconciled, leaving a known 2.2 million records yet to be reconciled. However the total membership amounts to approximately 5.9 million members and therefore 1.5 million members are unaccounted for. This underlines the scale of the task nationally for the LGPS and the high challenge for HMRC within the published timescales.

11. General Data Protection Regulation (GDPR)

11.1 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 work has begun on reviewing template letters and working practices to ensure they are compliant. In addition engagement is ongoing with our AVC provider Prudential to ensure they are aware of our requirements under the regulations.

12. Financial implications

12.1 The report contains financial information which should be noted.

12.2 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.

13. Legal implications

13.1 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.

14. Equalities implications

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

15. Environmental implications

15.1 The report contains no direct environmental implications.

16. Human resources implications

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

17. Corporate landlord implications

17.1 The report contains no direct corporate landlord implications.

18. Schedule of background papers

18.1 None.

19. Schedule of appendices

Appendix A: Overall membership numbers

Appendix B: Process analysis

Appendix C: Detailed process analysis

Appendix D: Key performance indicators (KPIs)

Appendix E: Customer service statistics