



# Pensions Committee

10 December 2014

<b>Report Title</b>	Pension administration report from 1 July to 30 September 2014	
<b>Originating service</b>	Pension Services	
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<b>Report to be/has been considered by</b>	Geik Drever Tel Email	Director of Pensions 01902 552020 Geik.drever@wolverhampton.gov.uk

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## Recommendation(s) for action or decision:

The Committee is recommended to:

1. Approve the amendment to the write-off policy in 8.0 and the associated write-offs on that basis.

## Recommendations for noting:

The committee is asked to note:

1. The applications approved by the Director of Pensions, the Chair and Vice Chair of Pensions Committee for admission to the West Midlands Pension Fund.
2. The pension administration activity of the Fund for the quarter to 30 September 2014.
3. The potential implications of the Freedom and Choice in Pensions on the Fund.
4. The potential implication of LGPS 2014 and mandatory projects upon resourcing levels.

## **1. Purpose**

- 1.1 To inform Committee of the work undertaken by the Pensions Administration Services during the period 1 July 2014 – 30 September 2014.

## **2. Background**

The Fund provides a pension administration service to its stakeholders, which covers employer and member services, benefit operations and systems/technical. A report is provided to Committee on a quarterly basis to cover the performance of these functions during that period.

## **3. Scheme Activity**

### **3.1 Membership data**

The number of scheme members in the Fund in all three categories stands at 275,540 with an overall increase since 30 June 2014 of 3,846. Of the active membership of 103,271 - 46% are full-time and 54% part-time, which is a reflection of the flexible working arrangements amongst employers. 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 active memberships are falling and pensioners and deferred membership are increasing.

### **3.2 Workflow statistics**

The process analysis statistics show details of overall workflow within the Pensions Administration Service during the period 1 July – 30 September 2014 (Appendix B).

During the period covered by this report 28,030 administrative processes were commenced and 25,776 completed. On 30 September 2014 there were 10,515 items of work outstanding. Of this 2,459 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, 8,031 processes are now either proceeding to the next stage of the process or through to final completion

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).

Performance statistics have been influenced by the delay in the 2014 Pension Regulations and the ability to process post April 2014 work. To help support efficient working the Operations Team has begun processing new joiners by a bulk data import process. All employers went live using this service from 1 September 2014 which will release further capacity for other processing work.

### 3.4 Employer membership data

The Fund continues to see an increase in employer membership due mainly to the establishment of academies and outsourced local government contracts, with 12 new organisations being admitted to the Fund during the period 1 July 2014 – 30 September 2014. The current number of employers as at 30 September 2014 is 438. The level of ongoing work being processed at the end of the period is as follows:-

- 51 admission agreements
- 32 academies
- 17 employer terminations

### 3.5 Customer services

An analysis of telephone calls is shown which details the immediate response provided by the Fund when addressing fundamental pension queries for all our members and employers (Appendix D). The Fund experienced a high volume of calls and e-mails in June due to the delivery of Deferred Benefit Statements. We continue to aim to provide a high quality response rate at first point of contact for telephone calls and pension fund enquiry emails.

Overall items scanned have remained fairly consistent with the previous years. The average % indexing error rate is below 0.2%. The Fund is working towards increasing exchange of data via electronic means and progress has been made to move towards their objective. We continue to scan microfiches onto UPM to ensure that the microfiche information is available for work to be processed efficiently and accurately. (Appendix E)

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

- 4.1 So far in the 2014/2015 financial year four cases have been received. Three cases have been dismissed and one case is in progress.

The three cases dismissed related to the following pension issues:

- Two cases dismissed related to the exercise of employer discretion on the early payment of deferred benefits from age 55.
- One case related to the Tier of Ill Health benefits awarded.

## 5. Death grant

- 5.1 In this financial year four cases have been referred to the Legal Department for consideration. These cases are ongoing.

## 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 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 and Vice Chair.

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, the Chair and Vice Chair and Pensions Committee.

<b>Employer name</b>	<b>Guarantee Status (Agreement)</b>	<b>No of employees (Scheme members) Agreement type</b>	<b>Status</b>
Accuro Facilities Management (Birmingham)	Birmingham City Council	3(3) Not known	Approved
Accuro Facilities Management (Wolverhampton)	City of Wolverhampton Academy Trust	6(6) Not known	Approved
Alliance in Partnership Ltd (Broadway)	Walsall Metropolitan Borough Council	8(8) Closed	Approved
Alliance in Partnership Ltd (Greenfields Primary School)	Walsall Metropolitan Borough Council	3(3) Closed	Approved
Aspens Services Ltd (Salisbury School)	Walsall Metropolitan Borough Council	2(2) Closed	Approved
Aspens Services Ltd (Old Church School)	Walsall Metropolitan Borough Council	3(3) Closed	Approved
Aspens Services Ltd (Rough Hay School)	Walsall Metropolitan Borough Council	4(4) Closed	Approved
Aspens Services Ltd (Pinfold School)	Walsall Metropolitan Borough Council	1(1) Closed	Approved
Birmingham Solihull Mental Health NHS Foundation Trust	Solihull Metropolitan Borough Council	5(5) Closed	Approved
Compass Group (Yardley School)	Birmingham City Council	7(7) Closed	Approved
Integral UK Ltd (Hill Farm Primary School)	Coventry City Council	7(7) Closed	Approved
Tame Cleaning & Maintenance Ltd (Allesley Primary School)	Coventry City Council	2(2) Closed	Approved
Taylor Shaw (Great Barr Birmingham)	Birmingham City Council	14(14) Closed	Approved

## 7. Pensions in payment

7.1 The gross annual value of pensions in payment to September 2014 was £420.57m, of which £18.4m (£8.9m for pensions increase and £9.5m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

7.2 Monthly payroll details were:

Month	Number	Value £
July 2014	73,451	30,842,033.58
August 2014	73,921	30,895,911.38
September 2014	80,145	31,654,228.72

The September figures include pensioners paid on a quarterly basis.

## 8. Write off policy decisions

8.1 Committee is asked to approve a revision of the existing policy (currently £50) to £100, whereby any overpaid pension payments are written-off automatically, without the requirement to recover. As a result, any write-offs of an amount greater than £100.00 will be sought for approval on an individual basis at each Committee meeting. In setting a write-off policy of £100.00, which is relatively immaterial in terms of a broad order of magnitude, it will assist in improving efficiency in terms of administration costs in recovering such amounts.

8.2 The following write offs of pension payments are reported in line with the policy detailed above:

Individual Value	Number	Total
Less than £100	19	1,167.84
£100 - £500	35	8,041.81
Over £500	9	17,795.08
<b>TOTAL</b>	<b>63</b>	<b>27,004.73</b>

8.3 Write on analysis

Individual Value	Number	Total
Less than £100	13	352.99
£100 - £500	1	118.70
Over £500	0	0.00
<b>TOTAL</b>	<b>14</b>	<b>471.69</b>

## 9. Communications & marketing activity

### 9.1 Presentations

During the period Fund officers have continued to deliver presentations upon request from employers. The team will provide support on any subjects that are requested by an employer for their employees, however, the emphasis during this reporting period has been on the changes to the scheme with the implementation of LGPS 2014. A total of 51 presentations were delivered to 1,177 attendees.

The presentations were held at 32 different employers, including the district councils, universities, schools/academies and other admitted bodies.

Further support has also been provided to members either through drop in sessions or scheduled one to one support sessions. In total, support was offered to 147 members on a one to one basis.

### 9.2 Roadshows

One member roadshow was held during this period at Dudley Metropolitan Borough Council.

4 September	Dudley	56 attendees
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### 9.3 Web Portal

Work is continuing to increase awareness of the web portal facility for members and employers. There are currently over 18,000 members registered to use the web-portal facility. As at 30 September 2014 there are 294 employer accounts representing approximately 114 individual organisations.

- 9.3.1 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 to include 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.

## 10.0 Freedom and Choice in Pensions

- 10.1 Further to the announcement in the March 2014 Budget, of the proposal to allow members of defined contribution schemes to take all of their retirement benefit as a cash lump sum, the consultation on Freedom and Choice in Pensions was launched.

- 10.2 In July 2014 the Treasury published the government's response to the consultation. It confirmed transfers from funded public service schemes such as the Local Government Pension Scheme, to defined pension contribution schemes would be allowed.
- 10.3 New safeguards will be introduced including a guidance guarantee to ensure members who wished to transfer out had taken advice. The advice would be provided by independent organisations such as The Pensions Advisory Service and the Citizens Advice Bureau.
- 10.4 There will also be further consultation on whether to allow members in defined benefit schemes to access the defined contribution flexibilities directly without prior transfer.
- 10.5 The legislation for the changes will be included in two Bills, the Pension Schemes Bill and the Pensions Tax Bill.
- 10.6 On 27 November 2014, the Department for Communities and Local Government (DCLG) provided further clarity in the form of a series of amendments to the Pension Schemes Bill, three of which affect public service pension schemes and of which two relate to the LGPS as follows:
- The requirement to take independent financial advice when transferring from a defined benefit to a defined contribution scheme (as opposed to the "Guidance Guarantee" that will be offered to those in defined contribution arrangements as they approach retirement). Those with a pension wealth of less than £30,000 will be exempt from having to take advice.
  - A new safeguard that will give Ministers power to reduce Cash Equivalent Transfer Values (CETVs) in funded public service pension schemes, should it prove necessary to protect the taxpayer

## **10.7 Implications for the Scheme**

- 10.7.1 The changes proposed would allow members of the Scheme to transfer out to a defined contribution scheme, and where they are aged 55 or over, the member would be able to take all of their pension pot as a cash lump sum. Currently only 25% of the pension pot can be taken as a tax free cash lump sum if the member transfers out.
- 10.7.2 It is envisaged that the number of members wishing to transfer out of the Scheme would increase. In the short term this could impact on the cash flow of the Fund if there were a high number of members who decide to transfer out.
- 10.7.3 The CETV reduction safeguard will allow the Secretary of State to switch on reductions in transfer values for transfers, however this power is limited to being exercised only in the event there is a cost risk to taxpayers. The method for calculating the level of reduction will be set out in secondary legislation and the DCLG proposes to consult on this matter in the future, therefore the actual impact of this safeguard on the Fund remains to be seen.

- 10.7.4 In the previous four year period to March 2014 there was no significant increase in the number of members aged 55 or over transferring out of the Fund. The average number of members transferring out of the Fund in a year, aged 55 or over was 28.
- 10.7.5 In line with the amendments detailed above, it will become the Fund's responsibility to check the member has received appropriate independent advice, which will be firmed up in secondary legislation from HM Treasury. As a result there will be an administrative increase for the Fund as it takes steps to ensure the advice the member has received is appropriate.
- 10.7.6 In the long term due to the age profile of the membership in the Fund, if there are a large number of members who transfer out, the assets and liabilities for the Fund would reduce as there will be fewer deferred members who would be entitled to a retirement pension.

## **11. Resources**

- 11.1 The introduction of the LGPS 2014 Scheme has implications for resourcing levels, due to complexity and the associated procedures in the main, which has meant it has become administratively more resource intensive. As a result, a number of LGPS Funds nationally are actively seeking additional resources to manage this extra work. In addition, there are a number of significant mandatory projects due in the near future, which will again require extra resourcing, such as the forthcoming GMP reconciliation (further details will be provided to Committee in the next report).

## **12. Financial implications**

- 12.1 The report contains financial information which should be noted.

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.

- 12.2 There are financial implications of Freedom and Choice in Pensions, as detailed in 10.0, with the potential impact upon Fund cash-flows and ultimately the assets and liabilities of the Fund, together with an associated risk impact.

## **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 Pensions Committee 24 September 2014 – Pensions Administration report

**19. Schedule of appendices**

19.1 Appendix A: Overall membership numbers

19.2 Appendix B: Process analysis

19.3 Appendix C: Detailed process analysis

19.4 Appendix D: Customer service statistics

19.5 Appendix E: Data quality statistics