

Pensions Board

22 January 2019

Report Title	Pensions Administration Report from 1 June – 30 November 2018	
Originating service	Pension Services	
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Recommendation for noting:

The Board is asked to note:

1. 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).

1.0 Purpose

1.1 To inform the Board of the work undertaken by the pensions administration service during the period 1 June to the end of November 2018 for both the Main Fund and the WMITA Fund.

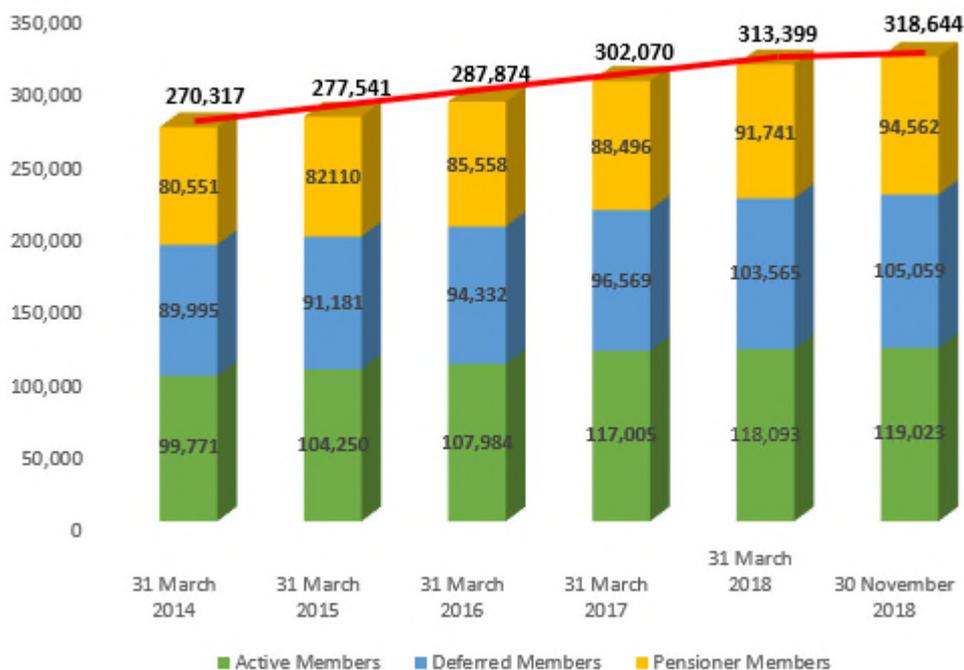
2.0 Background

2.1 The Fund provides a pension administration service to its stakeholders, which covers employer, customer and member services, benefit operations, payroll and systems/technical support. This report is designed to focus on the Operations service area and provide a summary of the work volumes and the performance of the Fund against key performance indicators.

3.0 Scheme Activity

3.1 Membership movement – Main Fund

3.1.1 The total number of scheme member records at the end of November 2018 stands at 318,644, with an overall increase since 31 March 2018 of 5,245 members. The graph below illustrates the trend over the last five years. As more members elect to draw retirement benefits, the Fund is moving towards a more mature profile. In general, however, all membership types (active, pensioners and deferred) continue to rise.



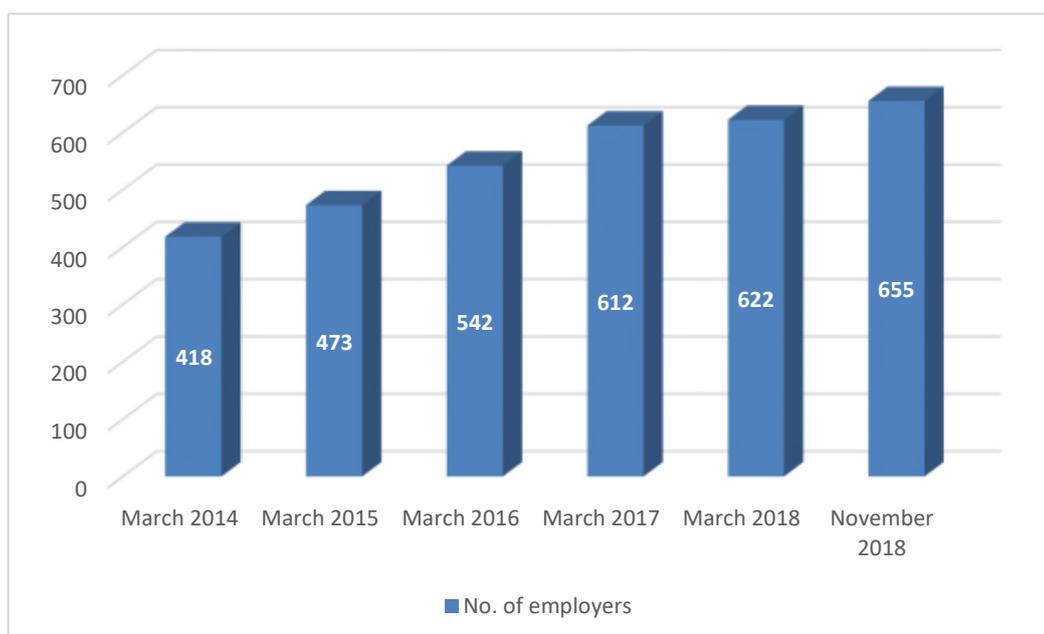
3.2 Membership movement – WMITA Fund

3.2.1 The number of scheme member records in the WMITA Fund in all three categories stood at 4,967 on 30 November 2018, 6% are active members, 14% are deferred and the largest group are pensioner members at 80% 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 31 May 2018 and 30 November 2018.

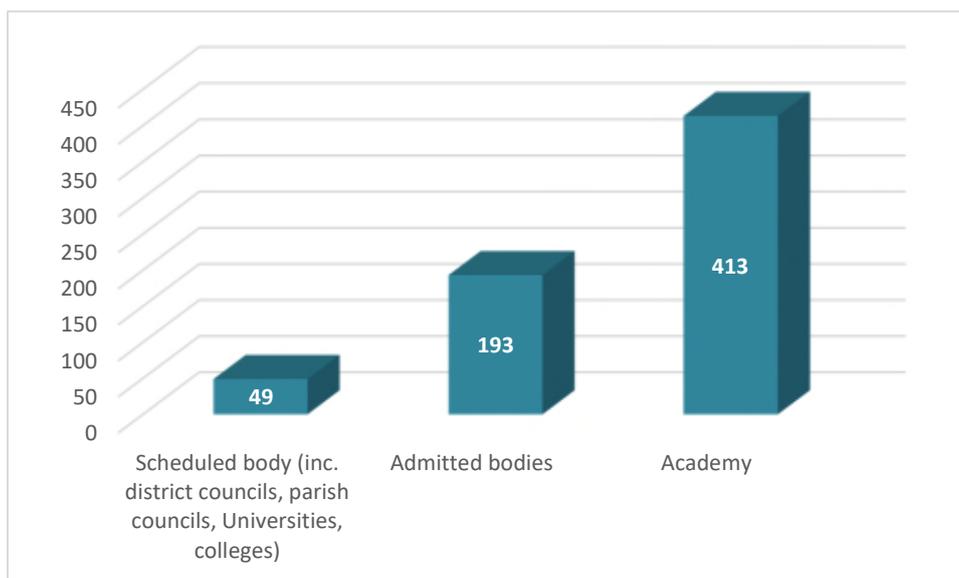
	Membership as at 31 May 2018			Net Movements during the period			Membership as at 30 November 2018		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	348	0	348	-24	0	-24	324	0	324
Deferred Members	699	13	712	-35	-2	-37	664	11	675
Pensioner Members	3816	119	3,935	37	-4	33	3853	115	3968
Total Members	4,863	132	4,995	-22	-6	-28	4841	126	4967

3.3 Employers

3.3.1 As well as the increase in the numbers of members within the Fund, the number of employers is also increasing and the current number of employers as at 30 November 2018 is 655, a net 5% increase from March 2018. The graph below shows the increase in employers between 2014 and 2018.



3.3.2 The graph overleaf shows the breakdown of the total number of employers as at 30 November 2018 by employer type.



3.3.3 The level of on-going employer transition work being processed at the end of the period is as follows: -

- 111 admission agreements
- 31 academies
- 40 employer terminations

3.4 Workflow statistics

3.4.1 The administration casework is managed through the UPM Pension Administration System, which records all processing activity on a members record.

3.4.2 During the period covered by this report, 97,312 administrative processes were commenced and 92,593 completed. On 30 November 2018 there were 42,151 items of work outstanding. This represents an increase of 5,576 items outstanding compared to 31 May 2018 (35,866). The 42,151 items of work outstanding includes casework which the Fund is unable to process as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities. This accounts for 5,883 items. Within pensions administration, 36,575 processes are now either proceeding to the next stage of the process or through to final completion.

3.4.3 The number of active processes and the total number of processes outstanding continue to be high and this can be partly attributed to the Fund's increased focus on improving data quality and partly due to member demand. The areas of significant volume include early leavers (deferments and refunds) and transfers in and out of the scheme. This increase represents a combination of;

- Member led work, i.e. following disclosure mailings and change in regulations, which is expected to be a short term peak
- The targeting of certain processes to update member records, which is expected to support in the reduction of outstanding work in the longer term
- The work with employers to target historical data quality issues, which is likely to continue for a period but will support the long term position for the Fund.

- 3.4.4 The amendment to the scheme regulations in May 2018 (reported to the Board in July 2018), allowing deferred members to access their benefits at the age of 55 led to the Fund receiving approximately 1100 additional requests for retirement quotes. To support the increase in the demand for deferred member retirement quotations, the Fund is in the process of investigating development of functionality within My Pensions Portal to enable deferred members to access retirement quotations online.
- 3.4.5 Following the Budget on 29 October, it was announced that the SCAPE discount rate (underpinning a number of scheme benefit calculations including internal and external (CETV) transfers) will change with effect from this date. The SCAPE discount rate has reduced from CPI +2.8% to CPI +2.4% and is used to determine the actuarial factors used across all public service pension schemes. The new factors were expected to be received within six weeks but their publication is still awaited. Until the new factors are received, the Fund is unable to process transfers/interfunds and quotations for divorce purposes, and these cases are being held temporarily (in line with guidance confirmed by MHCLG and the approach taken when the rate was last changed in 2017) and members are being advised of the transitional arrangements when they contact the Fund.
- 3.4.6 The Fund has been reviewing the volumes of incoming work and putting in place plans to address high volume areas. System development is being investigated as part of the Digital Transformation Programme, in a number of areas to provide longer term, cost-effective support for increasing volumes of benefit processing work.
- 3.4.5 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 A.

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 etc. These are monitored on a monthly basis are set to support the Fund to report on and meet its statutory disclosure requirements.
- 3.5.2 The increase in volumes of work have impacted on the Fund's ability to meet the targets set by our key performance indicators during this reporting period. Areas impacted include notification of retirement benefits and deferred retirement quotes. Plans have been put in place to ensure improvement and achievement of these KPI's within the next few months. There are a number of KPI targets which continue to be achieved including the management of death cases, payment of retirements (active and deferred) and transfers. For more information on KPIs by process by month over 2018/19, please see Appendix B.

4.0 Pensions in payment

4.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to November 2018 was £494.7m, £16.6m of which (£8.2m for pensions increase and £8.4m for added year's

compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

4.3 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to November 2018 was £26.3m, of which no further recharges for added year's compensation will be made to employing authorities and other bodies as the member and beneficiary are deceased.

5.0 The Local Government Pension Scheme (Miscellaneous) Regulations 2018

5.1 Following the amendments to the LGPS regulations in May 2018, further amendments have been received and were laid on 18 December 2018 and come into force on 10 January 2019. These amendments include modifications for some of the unintended exclusions in previous amending regulations.

5.2 The latest amending regulations allow a deferred member who left prior to 31 March 1998 who is over 55 to claim payment of their deferred benefits and removing the requirement to have ceased to be employed in local government employment. This is effective from 17 April 2018.

5.3 The Regulations also amend the provisions to survivor benefits to survivors of civil partners or same sex marriages, these benefits will replicate those provided to widows. These provisions have been back dated to 5 December 2005 for civil partners and 13 March 2014 for same sex marriages. Guidance for Funds on implementation is expected from MHCLG in January.

6.0 Financial implications

6.1 The report contains financial information which should be noted.

6.2 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.

7.0 Legal implications

7.1 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.

8.0 Equalities implications

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

9.0 Environmental implications

9.1 The report contains no direct environmental implications.

10.0 Human resources implications

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

11.0 Corporate landlord implications

11.1 The report contains no direct corporate landlord implications.

12.0 Schedule of background papers

12.1 None.

13.0 Schedule of appendices

13.1 Appendix A: Detailed process analysis

13.2 Appendix B: Key performance indicators (KPIs)