

# Pensions Committee

15 December 2021

<b>Report Title</b>	Pensions Administration Report from 1 July to 30 September 2021	
<b>Originating service</b>	Pension Services	
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<b>Report to be/has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 <a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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## Recommendations for action or decision:

The Pensions Committee is recommended to approve:

1. The 10 applications for admission from employers into the Fund.
2. The write-offs detailed in section 11 of this report.

## Recommendations for noting:

The Pensions Committee is asked to note:

1. Performance and workloads of the key pension administration functions.
2. Development of the Fund's membership and participating employers.
3. The enhanced due diligence on transfer out requests, protecting members against pension scams.

## 1.0 Purpose

1.1 To inform Committee of the routine operational work undertaken by the pensions administration service areas during the period 1 July to 30 September 2021.

## 2.0 Background

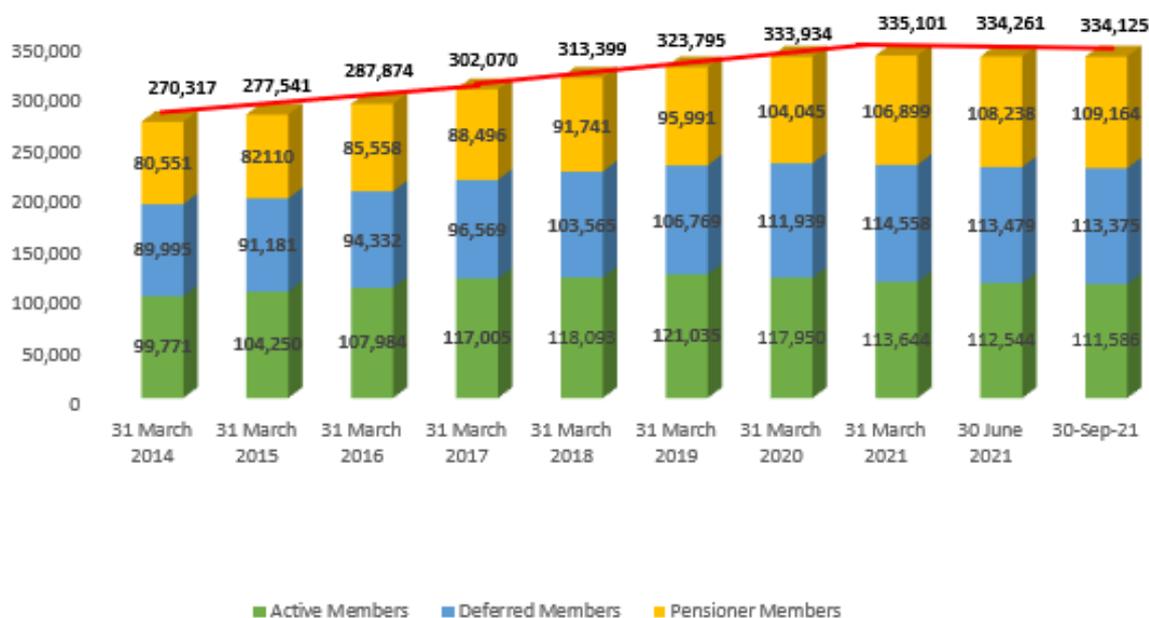
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to assist monitoring of the activity and performance of these functions during that period.

## 3.0 Scheme Activity

### 3.1 Membership Movement – Main Fund

3.1.1 The total number of scheme member records in the Fund at 30 September 2021 stands at 334,125, with an overall slight decrease since June 2021. The long-term trend over a 12 year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise. Overall and for the second consecutive quarter, the total membership has slightly fallen, following a further reduction in active membership records.

	Membership as at 30 June 2021	Net Movements during the period	Membership as at 30 September 2021
Active Members	112,544	-958	111,586
Deferred Members	113,479	-104	113,375
Pensioner Members	108,238	926	109,164
<b>Total Members</b>	<b>334,261</b>	<b>-136</b>	<b>334,125</b>



## 3.2 Workflow Statistics

- 3.2.1 The process analysis statistics (Appendix A) show details of overall workflow within the Pensions Administration Service during the period 1 July to 30 September 2021. During the period covered by this report, 44,830 administrative processes were commenced, and 48,684 processes were completed, an overall decrease in outstanding items of casework.
- 3.2.2 As we continue to see an increase in member movements, the workload volumes will also naturally remain high. On 30 September 2021 there were 43,381 items of work outstanding. This represents a decrease of 3,435 items outstanding compared to 30 June 2021 (47,286). Of the 43,381 items of work outstanding, 5,877 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities and 37,974 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.2.3 The Fund continues to review the volumes of incoming work and put in place plans to monitor and address high volume areas. Opportunities for bulk processing and streamlining the management of queries back to employers continue to be explored to increase efficiency in processing.
- 3.2.4 Appendix B provides a summary of the key processes completed by volume across benefit operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details. This shows the trend of lower joiners and higher leavers and retirements year to date is consistent with the tail off in growth of membership.

## 4.0 Key Performance Indicators (KPIs)

- 4.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements.
- 4.2 During the period, Fund performance fell slightly short of the cumulative KPI target in the following two areas:
- Retirements, notification of estimated benefits
    - Due to a higher volume of casework (c43% increase) in a previous reporting period, the KPI did not achieve the target in July, however it was achieved in the subsequent months.
  - Deferred Retirements, issue quote
    - Due to a higher volume of casework (c17% increase) in a previous reporting period the KPI was not met during the quarter. This area has received additional focus to help clear outstanding casework, and the KPI has been achieved in the early part of the next reporting period.

All other KPIs have been achieved across the period.

- 4.3 Further information on achievement of target KPIs by process by month over the reporting period is included in Appendix C.

## 5.0 Customer Services

- 5.1 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 are included within the charts as a comparative measure.
- 5.2 The most popular queries to our contact centre remain as follows:
- Customers following up on an existing Fund process
  - Requests for Pensions Portal support
  - Enquires about accessing pension benefits
  - Request for support with a Fund letter/form
  - Members updating their personal details
- 5.3 There have, unfortunately, during 2021 to date, been absence and vacancies emerging within the Customer Services Team which have affected our call handling performance during the year. We have recruited to 3 vacancies and these staff members are currently completing a detailed induction plan to ensure that training is as efficient as possible. In addition, we are continuing to support and develop the new starters from the last quarter.
- 5.4 Calls and written responses remained stable in July and August, however a peak in volumes occurred during September, following the issuance of Annual Benefit Statements, Pension Saving Statements, and GMP reconciliation letters to Fund members. Written responses take longer to process and are more resource intensive. However, the team continue to see the benefit of the automated email import functionality developed through our digital transformation programme. To support with the impact of these bulk mailings, communications have been staggered on issue to members, with annual benefit statement notifications being sent within this period. Staggering mailings smooths the impact on the contact centre and reduces call queues/written response times, allowing us to better serve our customers and reduce the number chaser requests received.

## 6.0 Complaints

- 6.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outlined within the Customer Engagement Update.
- 6.2 The number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 73 complaints received for the last quarter (less than 1%). Of those complaints, 70% were upheld and lessons learned incorporated in training and process development.

- 6.3 July and August complaint numbers remained lower than average, however, an increase was received in September in response to GMP reconciliation affecting some pensions in payment. The GMP reconciliation process involves comparison of HMRC data with the Fund's data, as well as resolving any associated discrepancies within the deadline set by HMRC. The reconciliation of GMPs is a statutory exercise and, in accordance with the LGPS Regulations, the Fund has a legal obligation to pay the correct level of benefits, which was discussed at the Committee meeting in March 2021.

Recognising the unexpected nature of this change, we have endeavoured to provide all members with an extended period of notice ahead of amending pension payments (pensions won't be adjusted until February 2022) and the Fund has agreed not to seek to recover any overpayments made up until that date.

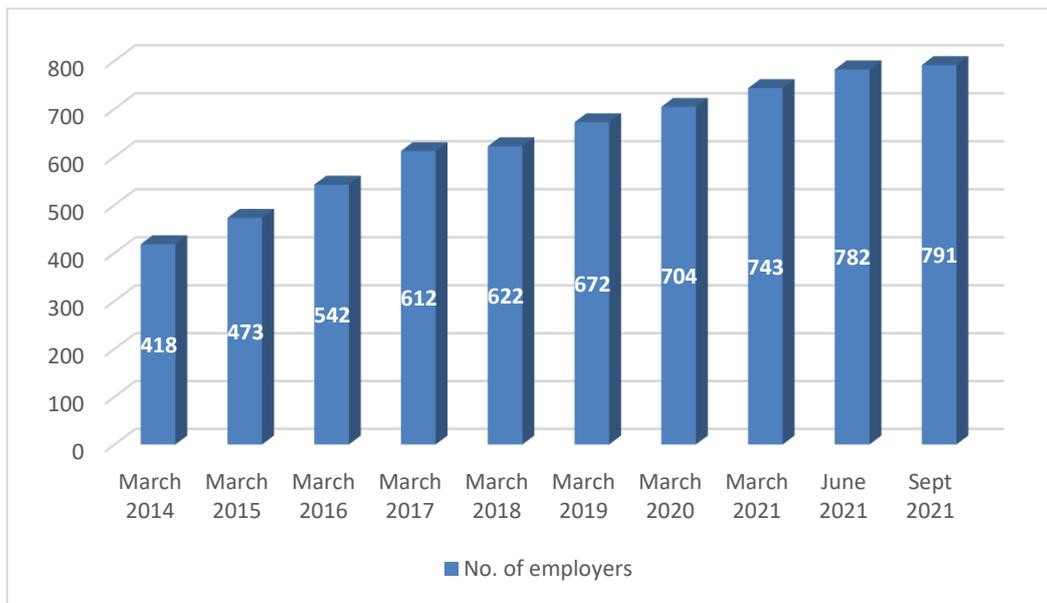
We have also adhered to guidance produced by the Pension Administration Standards Association and as such, in conjunction with the letters and accompanying 'frequently asked questions', have taken steps to try and explain and mitigate the effect of the changes being applied.

## **7.0 IDRPs Casework**

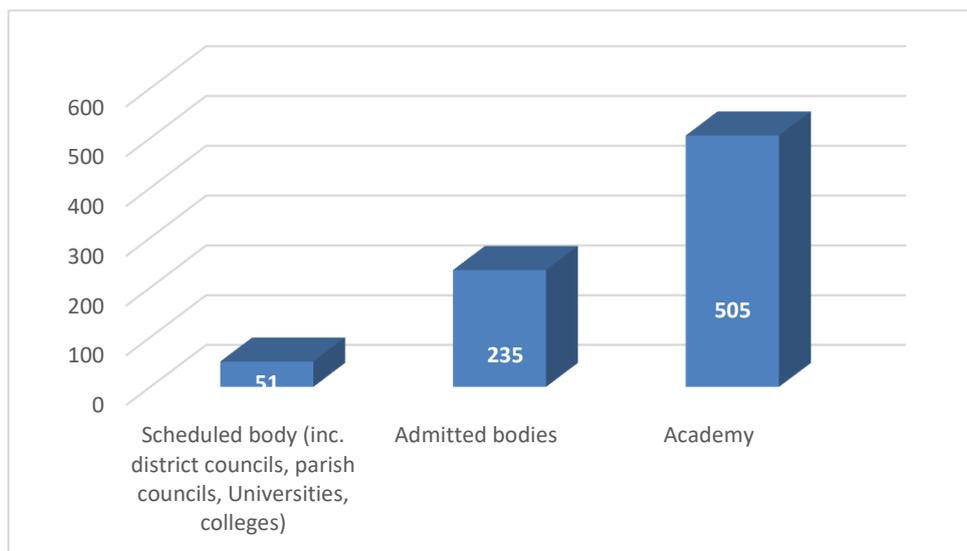
- 7.1 For 2020/21, nine cases were completed (one partially upheld 8 not upheld) and five progressed to Stage 2 (all 5 cases were not upheld).
- 7.2 Year to date for 2021/22, seven cases have been referred to Stage one of the procedure on appeal against the Fund, three cases were not upheld and four cases are currently under investigation. Three cases have progressed to Stage two of the procedure, two against the Fund which were not upheld and one against the employer which was partially upheld.

## **8.0 Employer Membership**

- 8.1 The Fund has seen an increase in employer numbers, with the overall number of employers registered with the Fund as 791 at 30 September 2021. This is an increase of 1% from the previous period and a 89% increase since March 2014 as shown in the graph below.



8.2 The employer base is categorised into the following employer types:



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

- 68 admission agreements
- 17 academies
- 43 employer terminations

## 9.0 Application for Admission Body Status

- 9.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Fund following approval of applications. Where applications need to be progressed outside of the Committee meeting cycle, 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.
- 9.2 There are 10 approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund. These are detailed in Appendix E.

## 10.0 Pensions in Payment

- 10.1 The gross annual value of pensions in payment to Sept 2021 was £549.7m, £17.1m of which (£7.4m for pensions increase and £9.6m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

- 10.2 Monthly payroll details were:

Month	Number	Value (£)
July 2021	84,989	40,620,286
August 2021	89,126	40,550,291
September 2021	99,667	41,658,286

The September figure includes pensioners paid on a quarterly basis.

## 11.0 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.

### 11.1 Write-off and Write On analysis

The following write-off and write on of pension payments are reported in line with the Fund's policy:

Individual Value	Write Off		Write On	
	Number	Total (£)	Number	Total (£)
Less than £100	0	0.00	9	339
£100 - £500	26	4,360	3	634
Over £500	11	14,599	0	0.00
<b>TOTAL</b>	<b>37</b>	<b>18,959</b>	<b>12</b>	<b>973</b>

Of the cases where the overpayment has been written off:

- 19 cases are where the Fund has not received a response or are unable to trace the Next of Kin.
- 1 case due to a returned payment from the bank
- 1 case unable to obtain the death certificate to identify who is dealing with the estate
- 15 historical cases which are recommended for write off following advise from City of Wolverhampton Council legal team to write off.

Of the cases where the overpayment has been written on:

- 10 cases the Fund has received no response from Next of Kin
- 1 cases no details of Next of Kin
- 1 case unable to obtain the death certificate to identify who is dealing with the estate

## 12.0 Regulation changes for Transfer Outs

- 12.1 On 8 November 2021, the Government published its [response to 'Pension scams: empowering trustees and protecting members' consultation](#). It also laid [The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#) [SI 2021/1237]. The regulations take effect from 30 November 2021 and apply to the LGPS in England, Wales and Scotland. From 30 November 2021, pension schemes must conduct further due diligence and checks before a pension transfer can be completed. The new requirements introduce conditions tests, based on the type of scheme and the risks the receiving scheme is likely to present to the member.
- 12.2 If the transferring scheme does not fall into any of the conditions, then the Fund will have to determine whether there are any red flags (i.e. if the member has been contacted unsolicited or the advisor does not have the regulator permission etc) and if so, whether the transfer should be allowed to proceed or be subject to any further conditions.
- 12.3 The Fund currently undertakes due diligence on all transfer payments and in line with our undertaking to the Pensions Regulator to take action to protect members from scams anticipates prior updates to process would capture the proposed regulatory requirements.
- 12.4 Compliance of existing Fund processes has been reviewed ahead of the new regulation coming into force and the Fund has made initial amendments as we await the issue of guidance and member communication templates for the LGPS, expected to be issued by LGA, to enable a consistent approach across LGPS Funds.

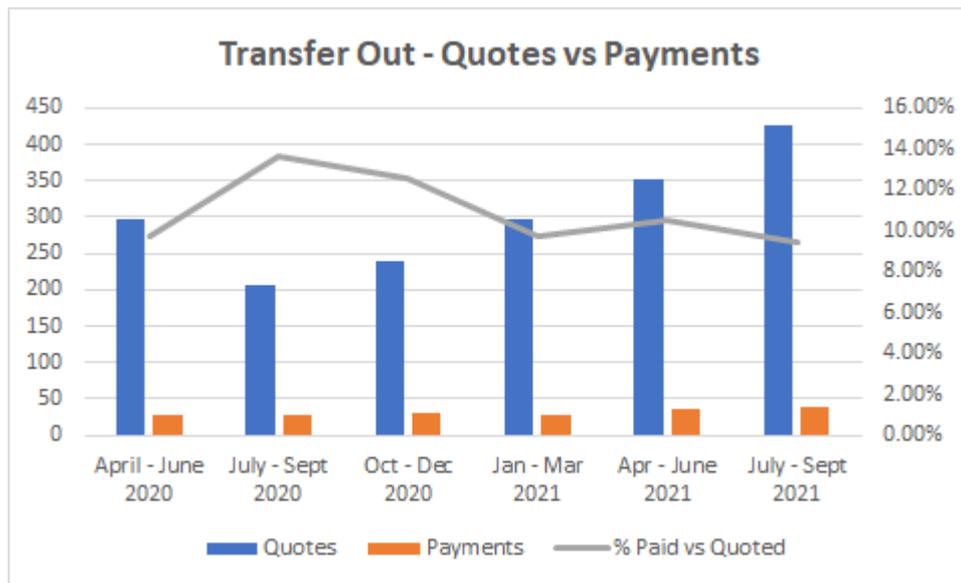
## 13.0 Transfer Out Cases

- 13.1 During the period 1 July to 30 September 2021, 426 transfer values were issued to members considering transferring their benefits out of the scheme. As previously reported, the Fund continues to see high volumes of this casework, and this is a 21% increase compared to the previous reporting period and 52% increase for the previous year July – September 2020.

13.2 In total 42 transfer payments made during the period 1 July to 30 September 2021 resulting in a total amount transferred of £3,978,188 (previous 1 July to 30 September 2020 a total of 28 transfer payments were made totalling £2,210,566 was transferred out). This amount is broken down as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	29
£30,001 to £100,000	5
£100,001 to £200,000	2
£200,001 to £300,000	4
£300,001 to £400,000	0
£400,001 to £500,000	1
Above £500,001	1
<b>Total</b>	<b>42</b>

13.3 The Fund has seen a gradual increase in the number of requests from members for transfer out values, however the number of members electing to progress with the transfer of their benefits out of the Fund remains fairly low (c9% of the quotations requested for the period). This is shown in the graph below.



13.4 Analysis has been undertaken of the Transfer out payments to non-public sector or occupational schemes over the period of July through to September 2021 to review the volume and trends. During the period, of the 30 completed, a total of 29 non-public sector or occupational scheme transfer out payments have been processed, to a total of 11 different receiving schemes, with one case not proceeding. The average age of members transferring out was 50 years, with the main reason for members transferring out was to consolidate their benefits.

#### **14.0 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 or on joining intervaluation, set an appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

#### **15.0 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.

#### **16.0 Equalities implications**

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

#### **17.0 All other implications**

- 17.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees. The report contains no other direct implications.

#### **18.0 Schedule of background papers**

- 18.1 None.

#### **19.0 Schedule of appendices**

- 19.1 Appendix A: Workflow Summary
- 19.2 Appendix B: Detailed Process Analysis
- 19.3 Appendix C: Key Performance Indicators (KPIs)
- 19.4 Appendix D: Customer Service Statistics
- 19.5 Appendix E: Admitted Body Applications