



<u>Committee and date</u> Pensions Committee
26 June 2015
10.00am

<u>Item</u>
14
<u>Public</u>

PENSIONS ADMINISTRATION MONITORING REPORT

Responsible Officer Debbie Sharp

Email: Debbie.sharp@shropshire.gov.uk

Tel: 01743 252192

Fax: 01743 255901

1. Summary

- 1.1 The report provides Members with monitoring information on the performance of and issues affecting the Pensions Administration Team.

2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

Performance is considered and monitored to ensure regulatory timescales and key performance indicators are adhered to. Administration risks are identified and managed and are reported to committee on an annual basis.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

Managing team performance and working with other Administering Authorities ensures costs to scheme employers for Scheme Administration are reduced. However, it must be noted that the introduction of the 2014 LGPS and the increased governance being introduced by the Public Services Pension Act 2013 will increase the resources required by the administration team. Reconciling the Funds Guaranteed Minimum Pension Liabilities with HMRC will have a direct cost for the Fund but if this is not undertaken the Fund risks taking on

financial liabilities it didn't need to and having its data called into question by the Fund Actuary.

4. Performance and Team Update

- 4.1 The team's output and performance levels to the end of May 2015 are attached at **Appendix A**.
- 4.2 Over the last quarter the number of procedures outstanding has increased. This is as a result of a delay in being able to recruit to vacant posts and the increase in workload due to the collection and processing of year end data.
- 4.3 As previously reported a middleware service called I-Connect (supplied by I-connect Ltd) is being piloted for 2 years. A full data match between Shropshire Council payroll and the Pension Administration software was undertaken and mismatches have been shared with the Council. The same procedure has been undertaken with Telford and Wrekin and all mismatches have been corrected. It is hoped that live data may be able to be processed in July for Telford and Wrekin Council.
- 4.4 All Fund pensioners with a qualifying pension received the annual increase due under the Pension Increase (Review Order) 2015 (SI 2015/671) from 6th April 2015. The increase due was 1.2%. All records have been successfully updated.

5. Help Desk Statistics

- 5.1 The following chart shows the number of queries received through the helpline number.

	February 2015	March 2015	April 2015
Telephone calls received	786	812	914
Queries dealt with by helpdesk at first point of contact %*	89.57%	94.58%	94.64%
Users to the Website	1054	1947	2472

* Where queries have not been dealt with by helpdesk, this will usually mean that the calls have been picked up by the rest of the team outside of the helpdesk.

6. GMP Reconciliation

- 6.1 As previously reported following the end of contracting out in April 2016, HMRC will be sending a statement to all individuals affected stating the amount of Guaranteed Minimum Pension (GMP) they will

receive and who is responsible for paying for it. Ahead of this, HMRC is advising that schemes should reconcile the GMP values they hold for members with those calculated by HMRC or face making overpayments to existing members and even individuals for whom they believe they have no liability.

- 6.2 The GMP Reconciliation exercise has now commenced. The initial match-up exercise has been awarded externally and initial results are due to be known by Mid July.
- 6.7 Next steps will then be investigated once the number of mismatches have been identified.

7. The Pension Regulator Code of Practice

- 7.1 The Pensions Regulator has now issued a “Compliance and Enforcement Policy for public service pension schemes” which is effective immediately. This Policy clarifies that all Public Sector Schemes must comply with their Code of practice, reported on the 20 March 2015 to committee.
- 7.2 The policy shows how the Pensions Regulator will monitor whether the Fund is being run appropriately and the sanctions if not. Funds will need to show how it complies with the code in the following ways;
- Pension Board Knowledge and Understanding
 - That there are no conflicts of interest
 - That records are complete and accurate – this area is dependent on the Fund employers providing the employee data accurately in the first place.
 - That there are good internal controls in place; are risks identified then mitigated or managed?
 - Is member communication accurate, timely and clear? – Again this can rely on data being provided accurately and on time by employers e.g. Annual Benefit Statements.
 - Logging all Internal Disputes
- 7.3 The Pensions Regulator’s free e-learning programme aimed at those running public service pension schemes is to be trialled by officers; <https://education.thepensionsregulator.gov.uk/login/index.php>. The programme has seven courses covering the governance and administration of public service schemes; conflicts of interest, managing risk and internal controls, maintaining accurate member data, maintaining member contributions, providing information to members and others, resolving internal disputes and reporting breaches of the law.
- 7.4 Internal processes are being implemented to try and ensure the Fund will be able to show it is compliant with the Code. The policy makes clear that the Pension Regulator has real powers to investigate and intervene where standards are not complying with legal requirements

enforcing that governance and administration are more important in the LGPS than ever.

8. Pension Freedom and Choice - LGPS

- 10.1 From April 2015, non-pensioner LGPS members are able to transfer their LGPS benefits to defined contribution (DC) arrangements. However for the first time, from the age of 55 or over, they will have full access to the cash transferred to those arrangements.
- 10.3 Scheme members are now obliged to take advice from an authorised Financial Conduct Authority (FCA) Independent Financial Advisor (IFA) at their own cost before making a transfer from safeguarded benefits (includes LGPS) to flexible benefits if the transfer amount is above £30,000. The Fund will have to check that a member has received independent advice and that it was from a reputable source. Our processes have been updated to ensure compliance.

9. Communications

- 9.1 Two training sessions have recently been run. The first was provided to all Fund Employers on the Pension implications of staff transfers when service contracts are outsourced. John Livesey, Scheme Actuary, delivered the training together with his colleague Mark Wilson. Feedback from this session was very positive. The second was provided for Academies and covered their responsibilities in the LGPS with practical guidance of how to undertake them.
- 9.2 Retired scheme members received their P60, April payslip and pension increase notification in April as a combined document. This was introduced last year to reduce costs. This was issued with the Spring 2015 edition of Intouch.
https://shropshirecountypensionfund.co.uk/?page_id=1317
- 9.3 The team is currently setting up a website for the Fire Authority, for their Fire Fighters. This site will sit within the main Shropshire County Pension Fund site. The work required to implement the changes to firefighters Pension Scheme as a result of their new scheme in 2015 is now underway.
- 9.4 All Deferred Members will receive their Annual Benefit Statement by 30 June 2015. This statement provides them with the current value of their benefit, the date benefits are payable from together with the value of any dependants benefits that could be payable. A newsletter will accompany the statement.
- 9.5 Retirement presentations have been run on site for two Employers.
- 9.6 Annual Benefit Statements for Active members this year have to be issued by 31st August 2015 and will be the first year career average benefits accrued since the scheme reforms on 1st April 2014 will be

included. The increased complexity of the Scheme's benefits structure means that annual benefit statements that are helpful and easy to understand for the member are becoming ever more difficult to produce. Shropshire is leading on collaboration with neighbouring Funds to design and use one statement. This will help cut production costs of the statement and give consistency to employees across the region. Economies of scale will also reduce production costs for the smaller Funds within the collaboration.

10 Legislative Update

10.1 The Local Government Pension Scheme (Amendment) Regulations 2015 were made on 17th March and came into force on 11th April 2015. The Amendment Regulations made amendments to:

- the Local Government Pension Scheme Regulations 2013, and
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

The amendments have been communicated to the membership and Fund Employers as required under Disclosure Regulations.

11 Annual Meeting

11.1 This year's annual meeting will be held in the Council Chamber, Shirehall, Shrewsbury, on the morning of 12th November. Please ensure the date is saved in your diaries.

12 Governance – Pension Board

12.1 Appointments have now been made to the roles on the Shropshire Pension Board. The Member Representatives are Mr M Morris and Mrs P Hockley. The Employer Representatives are Mrs E Furey and Mr S Wheeler. The first Board meeting is scheduled for Monday 27th July.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Pensions Committee Meeting 20 March 2015 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Monitoring