



Committee and date
Pensions Committee

25 September 2015

10.15 am

Item

12

Public

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 August 2015 is attached at **Appendix A**.
- 4.2 Over the last quarter the number of procedures outstanding has continued to increase and is now the highest it has been for over 3 years. This is as a direct result of delays in recruiting to vacant posts and the increase in workload due to the collection and processing of year end data. The vacancies have now been recruited and staff should be in post by October.
- 4.3 As previously reported it was hoped that the middleware service called I-Connect (supplied by I-connect Ltd) live data may be able to be processed in July for Telford and Wrekin Council. This has been delayed until September.
- 4.4 Clearing the backlog must now be treated as priority as the importance of completing this project without undue delay is recognised given legal requirements, increased scrutiny by the Pensions Regulator, focus on data quality and potential impact on employer liabilities resulting from the 2016 Triennial Valuation next year. This will be very challenging.
- 4.5 It is likely that this project cannot be completed with in-house resource and that recruiting individuals with the relevant knowledge and skills would be very unlikely. Therefore it may be necessary to look for external support. Our Benefit Advisors, Mercer, have indicated that they could help and they will be approached to draft a proposal to provide project and administrative support to reduce and, in due course potentially clear the accumulated backlog of unprocessed tasks.

5. Help Desk Statistics

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

	May 2015	June 2015	July 2015
Telephone calls received	794	799	863
Queries dealt with by helpdesk at first point of contact %*	95.59%	92.74%	89.57%
Users visiting the Website	2096	1836	1629

* 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 was awarded externally and initial results have been received. The full report is attached at **Appendix C**.
- 6.7 The initial results show that there are approximately 3,500 records that need extensive investigative work. How this work will be undertaken is yet to be decided and again there is a possibility that it will not be able to be completed with in-house resource and that recruiting individuals with the relevant knowledge and skills would be very unlikely so again it may be necessary to look for external support.
- 6.8 Currently, a group of bodies are negotiating with the Treasury on how accurately LGPS funds' data must match that held by HMRC and will report further so that the agreed level of tolerance can be factored in to funds' reconciliation exercises.
- 6.9 Further consultation is expected on a number of issues, including changes to the regulations governing transfers of contracted-out rights between schemes, and whether employers will need to notify and consult with members in advance of the cessation of contracted out.

7. Summer Budget

- 7.1 Pension tax was again an area of focus in the Budget delivered on 8 July, following on from the announcement earlier in the year of the reduction in the lifetime allowance to £1 million.
- 7.2 The 3 areas covered were;
- The annual allowance will reduce from 6 April 2016 for high earners to a minimum of £10,000. For incomes over £150,000pa the annual allowance will reduce by £1 for every £2 of income.
 - All pension input periods will be the same period as the tax year. This is currently not the case for the LGPS and 2015/16 will see a transition from 1 April to 31 March to the tax year.

- Announcement of a green paper on a consultation on whether there is a case for reforming pension tax relief, or whether it is best to keep the current system.

8. HMT Consultation on Exit Payments Cap

- 8.1 HM Treasury has published a consultation on a proposed public sector exit payment cap on redundancy payoffs which could limit early pension payments from the LGPS. The cap is proposed to include the employer cost associated with early access to an unreduced pension.
- 8.2 This would conflict with the current LGPS regulations so would require a change in legislation and quite how this would be incorporated into the regulations remains to be seen.

9. Communications

- 9.1 To comply with the timescale set out in section 14(5) of the Public Service Pensions Act 2013, regulation 89 of the LGPS Regulations 2013 an administering authority 'must issue an annual benefit statement to each of its active, deferred, deferred pensioner and pension credit members' and this must be issued 'no later than five months after the end of the Scheme year to which it relates'. Annual benefit statements should therefore be issued to all members by the end of 31st August 2015 for the 2014/15 Scheme year.
- 9.2 Annual benefit statements to deferred members of the Fund were issued on the 26 June 2015 and to active members on the 26 August 2015, which means the Fund has adhered to the 31 August deadline set by the Regulations.
- 9.3 Benefit statements are calculated as at the 31 March 2015 and is the first statement since the Scheme changed to Career Average Revalued Earnings (CARE) benefits. The Local Government Association (LGA) have reported that some administering authorities in England & Wales have faced a number of issues trying to meet the deadline of the 31 August, including obtaining accurate and on time data from employers. The Fund has worked hard to ensure Shropshire's annual benefit statements have been issued within this timescale and received a year end data return on time from all employers. However, the Fund is still waiting on a year-end reconciliation from Shropshire Council.
- 9.4 The Fund is aware there is still work to be done with employers to ensure the accuracy of the data they provide the Fund. An employers meeting is planned for Tuesday 20 October 2015 to provide employers with additional training on the LGPS data requirements and follow up meetings are planned with the employers to ensure improvements can be made next year.
- 9.5 Shropshire has also led on a collaboration with 7 other Funds on the statement design and significant work was undertaken to ensure the

statement met what was required for the CARE Scheme. The other Funds included in the collaboration were Staffordshire, Cheshire, Warwickshire, Cambridgeshire, Northamptonshire, Worcestershire and Surrey. In total, 250,000 deferred and active members of the LGPS were represented by the collaboration of the 7 Funds. By working together the Fund received a reduced postage rate of 24.28p instead of 24.864p and benefited by sharing the design costs and knowledge.

- 9.6 To ensure the Fund continues to be cost effective, communication has started to the Funds active members informing them that all future benefit statements will only be available online unless a request is made to continue with a paper statement. It is estimated that by moving to online statements it will provide an annual saving of approximately £11,042 in postage and printing costs. Further communication exercises are planned later in 2015 to reinforce this message and to encourage members to sign up to the online area.
- 9.7 Councillor's benefits statements are due to be sent towards the end of September 2015. Please note only Shropshire Council members are now eligible to be part of the Scheme as all other councillors' terms of office ceased earlier this year, Shropshire Council councillors will cease in 2016 when their term of office ends.
- 9.8 The annual Retired Members Meeting was held on the 20 July 2015 in the Council Chamber, Shrewsbury. The Scheme Administrator, James Walton provided an update along with a presentation from Debbie Sharp on the work of the administration team. Guest speakers from Connecting Shropshire, Men in Sheds and Richard Hayes were also provided. Over 70 Retired Members attended the event.
- 9.9 On the 17 July 2015 the Funds new look website was launched. The design has been improved to make using the website easier to navigate following feedback from our members. The most popular pages now also have a direct link to them on the homepage making it quicker for members to access these pages. Some statistics from 17 July 2015 to 31 August 2015 are:
- 2,659 individual sessions with 1,915 new users and 9,528 page views.
 - The busiest day of the period was Thursday 27th August (day after the active annual benefit statement was sent out) as there were 174 sessions on this day alone.
 - New pages 'FAQs' and 'Most Popular' introduced on the 17th July have made it into the top ten most viewed pages
 - View your pension account' was the 2nd most popular page

10 New Fair Deal

- 10.1 DCLG has formed a working group with the LGA, Trade Unions and practitioners, to consider how the principles of new Fair Deal, introduced in October 2013 for all other public sector schemes, might

apply for the LGPS. It is expected that there will be a consultation in the autumn. It is hoped that any new regulations would then be implemented in spring 2016.

11 Annual Meeting

- 11.1 This year's annual meeting will be held in the Council Chamber, Shirehall, Shrewsbury, at 11am on the 12th November. The meeting will provide an update on the Funds new Pensions Board, latest Administration news and investment performance over the past year. There will also be a presentation from one of the Funds investment managers. All committee members are invited to attend. Please ensure the date is saved in your diaries.

12 Governance

- 12.1 The first local Pension Board meeting was held on Monday 27th July.
- 12.2 The Pensions Act 2004 requires trustees to have knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding of occupational schemes and the investment of scheme assets. Trustees are also required to be conversant with their own scheme's policy documents.
- 12.3 To help meet this requirement the Pensions Regulator has provided a free e-learning programme. Pension committee members are recommended to undertake this training as part of their training. The newly formed Pensions Board have also been advised to undertake the e-learning programme as part of the requirements outlined in the Code of Practice no14 'Governance and administration of public service pension schemes' issued by the Pensions Regulator. The e-learning programme is accessed via the Regulator's "Trustee Toolkit" found on their website: <https://trusteetoolkit.thepensionsregulator.gov.uk/>
- 12.4 This provides a set of seven modules covering the key themes in the governance and administration of public service schemes. Each module has an interactive tutorial and test which when completed assesses the understanding of each module. Tutorials and assessments can be left mid – way through and then returned to later. The modules are:
- Conflicts of interest
 - Managing risk and internal controls
 - Maintaining accurate member data
 - Maintaining member contributions
 - Providing information to members and others
 - Resolving internal disputes
 - Reporting breaches of the law
- 12.5 The Regulator suggests each module's tutorial should take no more than 30 minutes to complete. On completion of each module a PDF

Pensions Committee; 26 June 2015: Pensions Administration Monitoring Report

certificate is provided and this should be downloaded and forwarded to the Pensions Communications Officer to record on file. An example of the certificate is at **Appendix B**. All modules in the e-learning should be completed by March 2015.

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

Pensions Committee Meeting 26 June 2015 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Monitoring

Appendix B – Sample TPR certificate

Appendix C – ITM GMP reconciliation report.