



Committee and date  
Pensions Committee

25 November 2016

10.00am

Public

## PENSIONS ADMINISTRATION MONITORING REPORT

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### 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 introduced by the Public Services Pension Act 2013 has increased 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. LGPS having to fully index GMP's will increase costs for the Fund going forward.

#### 4. Performance and Team Update

- 4.1 The team's output and performance level to the end of October 2016 is attached at **Appendix A**.
- 4.2 The chart shows that tasks becoming due and those outstanding increased during October 2016. Also statistics are showing that some month's levels are now higher than historically expected. This is mainly due to the timing of employers uploading data through the iConnect service. If this occurs later in the month the number of tasks still outstanding will be higher as the team have not been able to process these tasks before the end of the month. Collecting the data electronically has meant workloads across the team have increased as we are receiving far more data changes than we did in the past. This will improve the quality of the data held.
- 4.3 The systems team are looking at getting more employers to send data through the iConnect service. This will start with rolling out a new "online" version to smaller employers, which allows them to input data via an online return rather than submitting a spreadsheet that the team have to manually upload. Guides will be issued together with a full training programme delivered either in person or where this is not possible by telephone.
- 4.4 At the last committee, an update was given on the Pensions Administration Audit and Systems Audit for the year 2015/16. The ratings for both were good, the highest rating available. The audits for 2016/17 are about to be undertaken.

#### 5. Help Desk Statistics

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

	Aug 2016	Sept 2016	Oct 2016
Telephone calls received	794	904	835
Queries dealt with by helpdesk at first point of contact %*	93.83%	90.60%	92.81%
Users visiting the Website	7864	3390	3208

\* 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.

## 6 Communications

- 6.1 Annual Benefit Statements (ABS) for active members were issued electronically, on Member Self Service (MSS), in August 2016. This is a secure electronic means where by members log into their own account to view their ABS. The service also allows them to do their own projections.
- 6.2 Significant work has been undertaken to increase the number of members logging on to the system. In September 2016 letters were issued to all members who had not yet registered on MSS. This included an “activation key” which is needed to register for the first time. As a result the number of individual active members using MSS increased from 13% as at 31 May 2016 to 26% as at the 31 October 2016. More communication work is planned to further increase this uptake.
- 6.3 It is interesting to note the following Website traffic statistics;
- When members were informed that their ABS was ready to view, there were 686 hits on one day
  - The following week the average visits per day were 300-400 compared to the usual 100 hits per day.
  - Hits to the website remained high during September but had reduced by the end of the month to the normal level.
  - There was a further increase in activity when the Activation key letters were sent out. Including 842 hits in a single day.
  - In October an email was sent with information on the Annual Report and advertising the Annual Meeting, this gave another increase of 454 hits in a single day.
  - During the past 3 month period 7,236 people visited the “view your pension account online” page.
- 6.4 Presentations and 1-2-1’s were held at Severnside Housing, Wrekin Housing Trust, Telford & Wrekin Council and South Shropshire Housing. These were held throughout September and October at the request of the employers. In total 105 members took up the opportunity to have a 1-2-1 consultation with a member of the pension’s team.
- 6.5 The retired members’ newsletter InTouch attached at **Appendix B** was issued in early November. It covers an update from Jean Smith, pensioner representative and also features an update from the Pensions Manager and covers various pension issues such as death benefits in retirement.
- 6.6 A newsletter for active members is being prepared in collaboration with 5 other LGPS Funds. The newsletter will cover pension and taxation rules, FAQs the pension’s team usually receives and will encourage more members to sign up to MSS.

6.7 The Annual Report is available on the Fund's website and a link to this was emailed to all members to view.

6.8 The Prudential organised presentations with Shropshire Council and Telford & Wrekin between July and October. This covered Additional Voluntary Contribution options within the LGPS. In most cases these were supported by a member from the Pensions Team. Over 247 members attended across the two employers and the presentations were well received.

## **7 The Pensions Regulator**

7.1 The Pensions Regulator recently reminded public service schemes of their duty to publish information on their pension boards or risk being fined (up to £5,000 for an individual and up to £50,000 in any other case). Fines can be imposed for any compliance failure against the Public Service Pensions Act 2013 and the Regulator's Code of Practice. The Fund's website contains the information required.

7.2 The Regulator has launched an interactive self-assessment tool for public service pension schemes, including the LGPS. The tool is designed to help a scheme identify issues and areas for improvement, and what actions to take to ensure it is being run effectively and meeting their legal requirements and complying with the guidance set out in the Regulator's code of practice number 14.

## **8 Government publish response to College insolvency consultation**

8.1 Following the Government consultation undertaken earlier this year to introduce insolvency provisions for further education and sixth form colleges in England, the Department for Education has published its formal response.

8.2 The response notes that the LGPS was a common issue raised in responses and the Government respond to a number of the concerns raised about the potential impacts on the LGPS. In particular, the Government's views are as follows:

- Following the area review process, the risk of college insolvency will be very low and the special administration regime (SAR) will be a tool of last resort.
- However, in the event of a college insolvency event, most cases would not result in the crystallisation of a pension deficit as there would be a merger with, or transfer to, another provider.
- Pension funds should nevertheless assess the strength of each employer's covenant.
- Providing guarantees from Government for college liabilities would not be appropriate as colleges do not form part of the public sector. The comparison with academies, for whom the Government does

provide a limited guarantee, is therefore not fitting because academies are public bodies.

- During an insolvency event, the Government would consider whether ongoing pension contributions should form part of the costs of administration to be funded by Government.

8.3 The Government will now take forward their plans via primary legislation when parliamentary time permits.

## **9. Publication of LGPS (E&W) statistics 2015/16**

9.1 Following the completion of the 2015/16 SF3 data collection forms by LGPS administering authorities in England and Wales, DCLG have published their results.

The key points from the England release are:

- Total Local Government Pension Scheme expenditure in England in 2015-16 was £10.0 billion. On a like-for-like basis the increase was £0.6 billion or 6.1%
- Total Local Government Pension Scheme income in England in 2015-16 was £12.4 billion. On a like-for-like basis the decrease was £0.2 billion or 1.4%.
- Employers' contributions to the Local Government Pension Scheme in 2015-16 amounted to £6.6 billion and employees' contributions to the scheme were £2.0 billion.
- The market value of the Local Government Pension Scheme funds in England at the end of March 2016 was just over £200 billion.
- The Local Government Pension Scheme in England encompasses more than 5.06 million people. Of this number, 1.8 million are employees who are still contributing to the scheme, 1.5 million are pensioners and 1.8 million are former employees who are entitled to a pension at some time in the future

## **10. Publication of September 2016 CPI rate**

10.1 On 18 October 2016, the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2016 was 1.0%.

10.2 Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year.

10.3 We await confirmation from the Government in due course that revaluation and pensions increase for April 2017 will apply in the LGPS at a rate of 1.0%.

**11 Scheme Advisory Board – implications for the LGPS of a significant increase in academy employers**

- 11.1 The Scheme Advisory Board (SAB) has commissioned PWC to investigate the implications for the LGPS of a significant increase in academy employers and to develop options to manage those implications. They will present their findings to the SAB in March 2017 in the form of a comprehensive report covering the administrative, actuarial, legal and investment issues relating to the implications identified and options proposed. Between now and the end of the year PWC will be looking to engage with stakeholders, including administering authorities, to gain their input.

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

Pensions Committee Meeting 21 September 2016 Pensions Administration Report

**Cabinet Member (Portfolio Holder)**

NA

**Local Member**

NA

**Appendices**

Appendix A – Performance Monitoring

Appendix B – InTouch