

PENSIONS ADMINISTRATION MONITORING REPORT

Responsible Officer Debbie Sharp

Email: Debbie.sharp@shropshire.gov.uk

Tel: 01743 252192

Fax: N/A

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. Further compliance with TPR code has highlighted areas where further costs could be incurred.

4. Performance and Team Update

- 4.1 The team's output and performance level to the end of **May 2017** is attached at **Appendix A**. The chart shows encouraging numbers of workflow procedures completed on time. It was reported at the last Committee that a project had started on assessing the Work Flow System. This means that some procedures are now being measured more accurately against the target dates and is already reflected in this chart.
- 4.2 The systems team have been working closely with those employers who were not yet live with iConnect service. All small employers (i.e. whose number of employees in the Pension Fund are less than 50) are using the manual online version. Focus has switched to the remaining employers who have more employees and therefore are expected that they will submit data via an electronic extract directly from their payroll. To date there are only 5 employers still to go live. This means that nearly all of the data is now being received by the Fund electronically directly into the Pension Administration System.
- 4.3 The team have been busy working on year end postings, individual data onto active member records, and reconciliation of these against the contributions received from their employer for 2016/17. Data cleansing checks will be undertaken to ensure all pay and contributions have been sent by employers for all of their active employees. This is to ensure that all records have been updated for the Production of the Annual Benefit Statements and in line with our statutory obligation.
- 4.4 Pensions Increase was implemented in April 2017 across all records on Resource Link (the payroll system) for all Pensions in payment. The team have also ensured that the Pensions Administration System has been uprated and all errors have been cleared.

5. Help Desk Statistics

- 5.1 The following chart shows the number of queries received through the helpline number. It is interesting to note the increase in users to the website in April 2017. This partly due to the issuing of the P60/Payslip to Pensioners and Deferred members receiving an activation key for My Pension Online. The team have been publicising the website; especially the facility to model/project individual member benefits through member My Pension Online.

	Feb 2017	Mar 2017	April 2017
Telephone calls received	661	674	849
Queries dealt with by helpdesk at first point of contact %*	92.19%	94.66%	90.03%
Users visiting the Website	1,617	2,007	4,637

* 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 and Governance

- 6.1 A review was undertaken in January 2017 and findings presented to Committee in March 2017 on the Fund's compliance with the statutory requirements in the Pensions Regulator's Code of Practice 14. As part of this work the Fund has taken the decision to work with the Pension Administration System supplier as a pilot site on a Data Quality Review. This will look at the requirements, set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 and the Pensions Regulators guidance, for the Scheme Manager to keep specific data about members. By undertaking this exercise as a pilot site the costs for the review are reduced.
- 6.2 In April 2017 the Fund issued a document to pensioners that combined their P60, April payslip and pensions increase notification together with a copy of the pensioner's newsletter 'InTouch'. Payslips and P60s are available for pension members to view online if they wish.
- 6.3 The Fund's website is the main source of information for both current and prospective members, and employers. The website holds the Brief Scheme Guide including the forms and other guidance available to members to download. Members can also access their pension record online via 'My Pension Online' and is the most popular page on the website. Up until 31 March 2017 the total number of members who viewed their pension record online was 6,814. The website also holds information for Scheme employers and provides links to the forms and guidance to be used to supply their employee data.
- 6.4 Work is underway on this year's Annual Benefit Statement project. This ensures that all members as at 31 March 2017 are issued with a statement by the regulatory deadline of the 31 August. This year the statements for both active and deferred members will be issued electronically via the Funds secure area 'My Pension Online'. Unless

the member has opted out of electronic communication when they receive a hard copy of the statement.

7. The Pensions Regulator (TPR)

- 7.1 The results of the [Regulator's 2016 governance and administration survey](#) of public service pension schemes were recently published in their 2017 Report. They suggest continued progress being made in the areas considered key in delivering good governance. Top priorities for this year are scheme governance, record keeping, internal controls and member communication. The Regulator has warned schemes, within the summary of results, that "Our tolerance for schemes' shortcomings, particularly in the areas identified in this report, is reducing" and "...we are more likely to move to use our enforcement powers this year".
- 7.2 TPR expect all schemes to undertake an annual data review and put an improvement plan in place if required;
- TPR will provide additional education in 2017 to assist with this, including guidance on developing a good improvement plan.
 - TPR will consider enforcement action where scheme managers fail to demonstrate that they are taking appropriate steps to improve their records, including having a robust improvement plan in place
- 7.3 The team are confident that the work being undertaken on data quality is in line with the TPR's priorities.

8. Academies and the LGPS

- 8.1 PwC's report on Options for Academies in the LGPS, commissioned by the Scheme Advisory Board, was published on 31st May.
- 8.2 Publication of the report will enable the Board to engage with key stakeholders including pension funds, actuarial firms and academy trusts as appropriate on the issues raised by those interviewed by PwC. The Board will continue to gather relevant evidence and then develop specific proposals for change before submitting its recommendations to Ministers for their consideration.

9. Scheme Advisory Board

- 9.1 At the 2017 PLSA local authority conference, attended by Officers, Cllr Roger Phillips, the chair of the scheme advisory board for the LGPS in England and Wales (SABEW) launched the 2016 annual report for the English and Welsh scheme.

9.2 The report is a compilation of each of the 91 funds' individual reports. However, the report also includes analysis of scheme trends at a national level and, this year, a summary of the 2016 fund valuations. Some of the key highlights of the report on national statistics are:

- The total membership of the LGPS grew by 134,000 (2.5%) to 5.3m members in 2016 from 5.2m in 2015 and number of LGPS employers increased by 2,635 (22%) to 14,435.
- The total assets of the LGPS held at £217bn. These assets were invested in pooled investment vehicles (43.6%), public equities (34.6%), fixed interest/index linked (7.5%), property (7.8%), as well as other asset classes (6.5%).
- The net return on investment over 2015/2016 was +0.1% compared with +12.1% in 2014/2015. The 2015/2016 figure reflecting less favourable market conditions than in 2014/2015.
- The scheme remained in a cash-flow positive position in 2016, including investment income.
- As at 31 March 2016, the LGPS liabilities were estimated at £254bn indicating an overall funding level of 85%, increased from 79% at 31 March 2013. The increase in the funding level means there was an overall reduction in the cash deficit from £47bn in 2013 to £37bn in 2016.

9.3 The report is available at www.lgpsboard.org under Scheme Annual Report 2016.

9.4 On 26 May, the SABEW commenced a survey to test the effectiveness and operational efficiency of the new governance arrangements with particular emphasis on the role and function of local pension boards and interaction with their administering authority.

9.5 This survey has been circulated to the chairs of the pension board and the pension committee as requested. The survey will run until 28 July 2017 and following its completion the SABEW will be writing to DCLG with their findings and, if applicable, their recommendations for any regulatory changes they consider necessary.

10. **GMP Reconciliation Update**

10.1 The team continues to work with a third party to reconcile the Fund's contracted out data with that held by HMRC. Responses to the latest queries have been dealt with.

- 10.2 The match-up for pensioners has to now be run across the payroll system. This will need to be undertaken with the help of a third party as the team does not have the resource to undertake this in-house. Once this has been undertaken the pension administration records will need to be updated with either a GMP, a revised GMP or an indicator that the GMP value is correct and matched to that of HMRC. A bespoke product will need to be purchased to enable this data to be imported directly into the Pensions Administration System.
- 10.3 Once this stage is complete the Fund will be aware of how many Pensions in payment need correcting. However, further information will then be required as to the materiality of any over/underpayments and what corrective action the Fund is to take.
- 10.4 In February 2016 HM Treasury (HMT) wrote to DCLG regarding the data reconciliation exercise which all Public Service Pension Schemes (PSPSs) are undertaking as a consequence of the end of contracting-out on 5 April 2016. The letter: -
- explained that a small working group had been established by HMT to arrive at a number of collective decisions on which data should be reconciled and on what options are available to PSPSs to help simplify the reconciliation exercise, and
 - stated that PSPSs have expressed a preference for consistency in treatment, where feasible, and
 - recommended that the reconciliation criteria set out within the letter should be adopted.
- In relation to overpayments of pension identified as a result of the contracted-out reconciliation exercise the letter stated *“For pensioners who have been historically overpaid, the working group recommends that you wait for evidence from the reconciliation exercise on the extent of overpayments. This would give more information on whether there will be value for money in recouping the overpayments”*.
- 10.5 HMT have yet to make any recommendation regarding either the date by which any affected pensions should be reduced or as to whether or not any overpayments should be recovered. This is because HMT require ‘evidence’ of the extent of overpayments before they are able to make any recommendation to Ministers.
- The current position places administering authorities in a difficult position for the following reasons:-
- administering authorities are obliged to correct any error they discover within a reasonable period of time. To do otherwise would render the continuing overpayments unauthorised under regulation 14 of the Registered Pension Scheme (Authorised Payments) Regulations 2009. Furthermore any delay in reducing the pension to the correct level would increase the loss to the fund in the event overpayments are not recovered.
 - administering authorities have their own delegations with regard to the process and limitations of write off which will apply for overpayments and which will have to be followed.

- 10.6 The complexity surrounding Pension Increase and Guaranteed Minimum Pensions could be significant in determining the Funds approach. The LGA's view is that it is unlikely that Scheme members could have been aware that they were being overpaid, unless they have a good understanding of the interaction between the Pensions (Increase) Act 1971, the Social Security Pensions Act 1975 and the Pension Schemes Act 1993. They have provided administering authorities with information they may wish to take into account alongside their existing delegations, when making any decision to recover overpayments.
- 10.3 The administration approach to the treatment of past and current under/overpayments will therefore need to be documented, along with a proposal for how this will be implemented during the specific circumstances of the GMP Stage 3 project. These will cover the approach for reclaiming past overpayments or not, and how currently overpaid pensions will be adjusted going forward. The Fund may need to take legal advice and advice from the Fund Actuary before determining the way forward.

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

Pensions Committee Meeting 17 March 2017 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Monitoring