

LONDON PENSIONS FUND AUTHORITY

**LOCAL GOVERNMENT PENSION FUND ADMINISTRATION
REPORT**

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**Agenda Item
No.**

5

Purpose of the report

This report is provided by the London Pensions Fund Authority (LPFA) giving a quarterly update on the delivery of the pensions fund administration services in the following sections.

- Section 1: Statistics and key performance indicators
- Section 2: A progress report on projects and key activities
- Section 3: An update on LGPS regulatory changes, including the latest news on the potential scheme changes

Recommendations

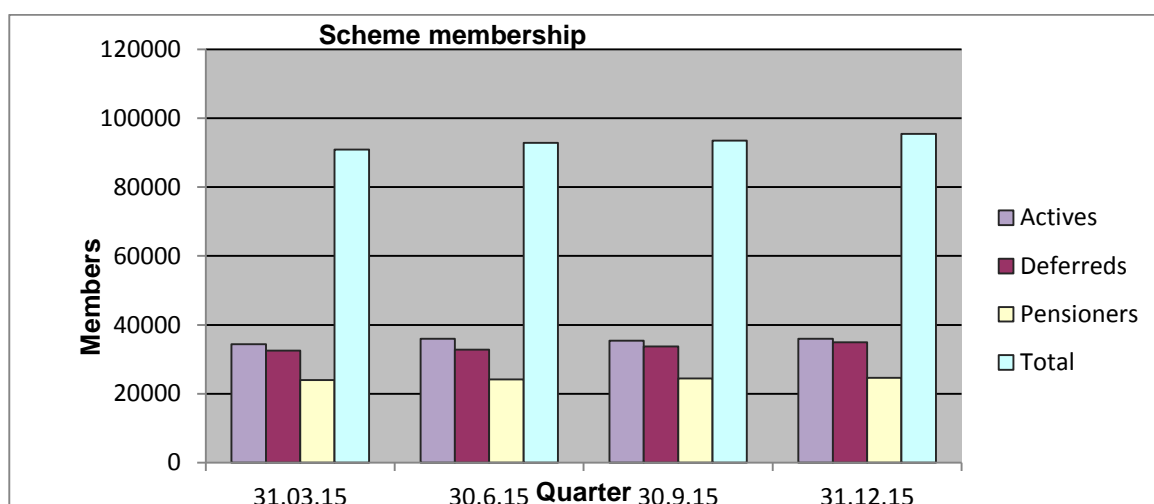
That the Committee notes the contents of this report.

SECTION 1 STATISTICS AND KEY PERFORMANCE INDICATORS

1.1 Pensions Fund Statistics

Scheme Membership: The following graph provides an analysis of total membership to the Scheme which shows active membership has increased by 541 members, pensioners have increased by 189 and deferred members have increased by 1214 between the quarters.

The increase in active members and deferred members has resulted from processing year end returns for Scheme Employers where they did not notify LPFA during the year of joiners and leavers. We are actively working with Scheme Employers to address the issue of timely notification of membership changes as part of an action plan to address the breach of the statutory deadline for issuing Annual Benefit Statements. See section 2.1



Scheme Employers: The total number of active scheme employers in the Pension Fund has increased by 1 during the last quarter. There are currently 256 active employer and a further 130 employers with deferred and pensioner liabilities.

1.2 Performance Indicators

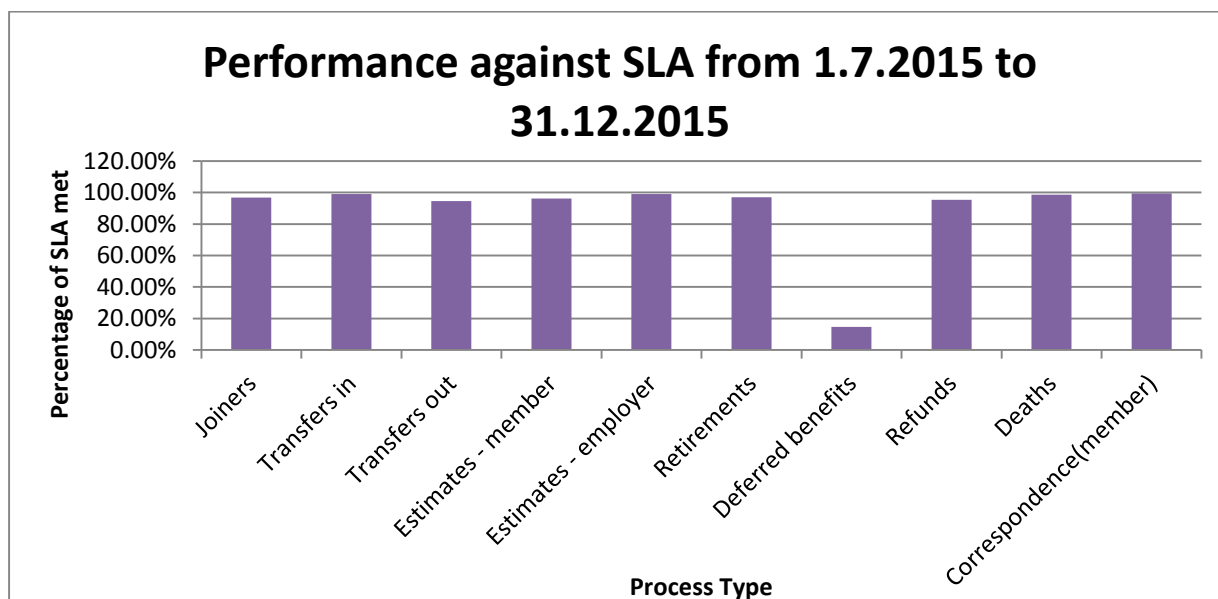
Performance of the Pension Fund is measured in the following key areas:

- The LPFA Pensions Administration Services is measured against key performance indicators that measure compliance, efficiency and effectiveness of the service. See Section 1.3.
- Scheme Employers performance is measured against requirements set out in the Administration Strategy. See Section 1.4; and
- The Pension Fund is measured against statutory requirements and the effectiveness of its management and governance of the Fund. A separate quarterly report, Pension Fund Governance and Risk Management, provides commentary on key governance and risk management issues.

1.3 Performance for the LPFA Pensions Administration Service

Service Level Agreement and Volumes: The following graphs provide a quarterly review of key areas and performance achieved. Performance overall during the period was 77%.

Excluding the processing of Deferred Benefits cases which is impacted by the backlog discussed above, the on-time processing is in excess of 99%.



The overall level of cases completed in the previous three quarters is shown in the following table. The variation across the quarters reflects normal annual volume fluctuations across all case types except for deferreds/refunds. The increased volumes relates to the clearance of the backlog of deferred cases that had built up during a period when resources had been redirected to manage the implementation of the 2014 Scheme changes.

Key Processes Completed	01.01.2015 to 31.03.2015	01.04.2015 to 30.06.2015	01.07.2015 to 30.09.2015	01.10.2015 to 31.12.2015
Joiners	879	741	540	848
Transfers in	210	171	299	197
Transfers out	172	69	257	196
Estimates - member	577	594	495	564
Estimates - employer	130	143	198	174
Retirements	589	843	820	814
Deferred benefits	2,094	810	1,344	1,456
Refunds	258	259	325	404
Deaths	231	244	229	205
Correspondence	1,682	1,218	13,260	1,325
Total Key Processes Completed	6,822	5,092	17,767	6,183

LPFA Pensions Administration Service Complaints: The quality and effectiveness of the service is, in part, measured against the number of complaints received about the pension administration service. The following chart provides a summary of the status of complaints and those that are now being reviewed under the Internal Dispute Resolution Procedure (IDRP).

In the quarter, 6,183 cases were completed and 4 complaints received.

Complaints and Internal Dispute Resolution Procedures	Jan – Mar 2015				Apr – Jun 2015				Jul – Sept 2015				Oct – Dec 2015			
	BBF Previous Quarter	New	Completed - Upheld	Completed - Not Upheld	BBF Previous Quarter	New	Completed - Upheld	Completed - Not Upheld	BBF Previous Quarter	New	Completed - Upheld	Completed - Not Upheld	BBF Previous Quarter	New	Completed - Upheld	Completed - Not Upheld
LPFA Service Complaints	0	1	1	0	0	2	1	0	1	1	1	0	0	3	3	0
Administering Authority Complaints	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Administering Authority IDRPs	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Total	0	1	1	0	0	2	1	0	1	1	1	0	0	4	0	0

LPFA Service Complaints:

- A complaint was received from a member about delays processing an interfund into the Hertfordshire Local Government Pension Scheme. LPFA had received the members request but had not been formally notified of the members joining the scheme by the fund employer. LPFA have now obtained details from the employer and are regularly in contact with the member to make the process as speedy as possible. The member is aware of the delays with their previous employer and is chasing them in the New Year.
- A complaint was received from a member about details provided on their Annual Benefit Statement and delays in responding by LPFA. LPFA has responded to the member and has been in discussions with Watford Borough Council and their payroll provider Northgate to resolve the query. Northgate had provided incorrect data on the year end return and the LPFA is waiting for corrected figures so that a revised Annual Benefit Statement can be issued.
- A complaint was received from a member who had been sent personal documents of another member of the scheme and who had received the complainant's documents. Both members received a written apology and were offered identify fraud protection at the expense of LPFA for 12 months.

Administering Authority Complaints:

- A stage 1 IDRPs has been submitted raising a complaint about the way an added years contract was set up. LPFA are providing details to the Administering Authority for a response.

1.4 Scheme Employer Performance Indicators

The Administration Strategy sets out the quality and performance standards expected of the Pension Fund and its scheme employers. The Strategy also sets out the potential sanctions that will apply in the event of failure to comply.

Penalties for Late Payment of Contributions: There were 4 instances of late payments being made by employers during the period October to December 2015 out of approximately 400 payments due, and details are provided in the attached table at Appendix 1. A summary of payment performance over the last 6 months is also included showing the total instances of late payments, together with cumulative totals for days late and amount payable for all relevant employers.

The team continues to take a proactive approach to monitoring late payers and officers at Hertfordshire County Council are provided with a monthly report of late payers so that penalties may be applied where applicable.

SECTION 2 PROJECTS AND KEY ACTIVITIES

1. Year End contribution posting/Annual Benefit Statements

At the November meetings of the Pensions Committee and Board, an update on the challenges faced in producing Annual Benefit Statements to all members within the revised statutory deadlines laid out in the Pensions Act 2013 was provided.

Ultimately, and as discussed, it was not possible to issue all statements within these timescales and accordingly the County Council wrote to the Pensions Regulator confirming the current position and the proposed action to be taken to ensure compliance from all involved in future years. A response has now been received from the Pensions Regulator confirming they are satisfied with the action LPFA and the County Council are intending to take to resolve future issues but that any future breaches would need to be reported for them to determine whether any improvement notices or penalties need to be implemented.

During December and January, a number of meetings have been held between officers at HCC and LPFA to discuss the issues arising from the 2015 exercise and to put in place an agreed action plan. This to ensure future compliance with the requirements of the Pensions Act and that member's receive accurate pensions statements in a timely fashion. A key challenge for HCC and LPFA will be to re-inforce the requirement for employers to ensure they are fully aware of their responsibilities to supply timely and accurate data under the Scheme and that they will comply with the timetable set out.

Accordingly the key elements of the action plan include the following:

- 1) Note to key contacts at all Scheme employers setting out their responsibilities under the Scheme and confirming the timetable for submission of relevant data and responding to queries raised. The note also confirms the potential penalties which could apply if these requirements are not complied with and will require positive confirmation that the message has been received and understood.
- 2) Standing item on all meetings between officers at HCC and LPFA to discuss progress and to agree appropriate escalation of any issues arising.
- 3) Review of systems and processes following internal review and taking account of feedback from employers. A number of recommendations are already being implemented and employers will be encouraged to submit test returns at the earliest opportunity to help prepare for the formal end of year process.
- 4) Ongoing communications and support for employers to ensure compliance with their responsibilities.

An update on progress and issues arising will be reported to future Committee meetings.

2. Life Certificates

In addition to existence checks carried out through the biannual National Fraud Initiative (NFI), an additional exercise is undertaken each year to confirm the validity of continuing pension payments to certain groups of pensioners that may not be picked up through the NFI exercise. These pensioners include children (who will not have a National Insurance number) and pensioners living abroad. Pensioners over the age of 95 are also checked on an annual basis. The current status of this exercise is provided below and we continue to press for a response from the outstanding returns.

	Sent	Returned	Outstanding	Suspended Pensions
Overseas	146	145	1	2
Overseas (E-mail)	95	94	1	0
Care Of Address	249	245	4	0
Age 95+	146	140	6	0
Children	63	50	13	10
Total	699	674	25	12

3. Tell Us Once/National Insurance Number database

HCC now participate in a data sharing project with other LGPS pension funds in England, Wales and Scotland. This is undertaken for two main reasons. Firstly, in order to comply with legal requirements contained in the LGPS's governing regulations around payment of maximum death benefits payable, it is necessary to be aware of other such benefits payable where the member may have accrued benefits in more than one fund.

An extract of the membership information contained in the Database is also shared with the Department for Work and Pensions (DWP) in order that the LGPS can join the Tell Us Once service. Tell Us Once is a service offered in most parts of the country when an individual registers a death. When the LGPS joins Tell Us Once and the death of an LGPS member is registered by any Government Agency, the DWP systems will ensure that the relevant LGPS pension fund is informed of the death. This will ensure that HCC are aware of any deaths that have not been notified via next of kin at an earlier stage than may otherwise have been the case, leading to a reduction in potential overpayments.

4. Employer Covenant

The LPFA and Hertfordshire County Council Pension Team meet on a monthly basis to monitor the progress of Scheme Employer admissions and terminations. This includes a risk review of Scheme Employers and imminent changes that may affect their funding position or ongoing admission to the Pension Fund. Risk monitoring for Scheme Employers has been implemented following Valuation by the introduction of risk scoring that will provide a mechanism for early identification of issues. An update is provided to the Pensions Committee as part of the quarterly Risk and Governance Report.

5. Data Cleanse Project

Following the 2013 Valuation, work to improve data quality has been under discussion. A data cleanse project was agreed between HCC and LPFA and set up to review and rectify common data errors including; missing postcodes, missing addresses, Temporary National Insurance Numbers, earliest retirement date missing (these cause calculation errors) and members that have ceased being a deferred member but their membership status does not reflect this.

This project has now been completed and signed off with the following key tasks having been achieved:

20,713	Addresses cleansed and updated
2,226	Frozen refund cases processed
1,672	Records amended and earliest retirement date corrected
86	Temporary National Insurance Numbers corrected

The key benefits gained from the project are that the member records corrected are now compliant with data requirements as laid down in guidance from the Pensions Regulator around common data that needs to be held accurately for all members of the Scheme. The clearing of frozen refund cases ensures that the additional liabilities, which might otherwise have been imposed on the fund through potential additional pension's payable from state retirement age, has now been removed.

6. GMP Reconciliation

In April 2016, contracting out status for all UK defined Benefit schemes will end. From January 2019, HMRC will no longer provide relevant information to Schemes and statements will be issued to individuals based on the final position recorded at the end of 2018. Before this happens, all schemes will need to reconcile their GMP data against that held by HMRC to ensure that correct liabilities are recorded and to avoid pensions being over/under paid or being faced with the burden of paying a GMP for members who are no longer in their Scheme. Work is underway between HCC and LPFA to ensure all relevant data is up to date and reconciled within the appropriate timescales and a Project Initiation Document has now been agreed.

The initial analysis of data received from HMRC has been undertaken by LPFA and has revealed the significant extent of work required to carry out the work required. As an example, the information provided by HMRC includes in excess of 6,000 records for whom no record is currently held on HCC records and where individual investigation will be required to evidence to HMRC whether any liability exists.

Details of the benefits to carrying out this work include the following;

- Compliance with Public Service Pensions (Record keeping and Miscellaneous Amendments) Regulations 2014.
- Accurate records for all members to ensure that correct increases are applied to pensions each April.
- Where GMP details are missing for pensioner members correcting these which will reduce the annual pension in payment leading to a reduction in annual payroll.
- Ensuring that only members for whom HCC hold records for are recorded against HCC's Scheme Contracted Out Number by HMRC. Failing to correct these records could potentially lead to additional pensions liabilities amounting to several million pounds being enforced onto the fund.

SECTION 3 LGPS REGULATIONS AND SCHEME CHANGES

1. Freedom & Choice

As reported previously, the Government's reforms allowing pension scheme members in Defined Contribution schemes greater flexibility around how they choose to receive payment of accrued pension savings are now in force. Although it is not possible for such choice to be exercised with regard to LGPS benefits, scheme members may still choose to transfer their benefits out of the Scheme to take advantage of the new legislation. The level of transfer activity continues to be closely monitored and to date no increase in such requests and payments has materialised.

Where a significant increase in such transfers occurred it may be possible to adjust the level of transfers paid out of the scheme, based on relevant actuarial advice.

2. HMT Regulations - £95k cap on redundancy and exit payments

The government has now published 'The Public Sector Exit Payment Regulations 2016' in draft which confirm that the cap will apply payments made by public sector employers to reduce or eliminate an actuarial reduction to an employee's pension on early payment. These regulations will come into effect in summer/autumn 2016 and a number of technical aspects remain to be resolved including how they will apply to flexible retirements, protections under previous regulations, as well as the relevant factors that will need to be used in calculations.