

LONDON PENSIONS FUND AUTHORITY

**LOCAL GOVERNMENT PENSION FUND ADMINISTRATION
REPORT**

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Agenda Item
No:

6

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 Board 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 decreased by 261 members, pensioners have increased by 214 and deferred members have increased by 827 between the quarters.

The increase in 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 3 during the last quarter. There are currently 259 active employer and a further 138 employers with deferred and pensioner liabilities.

1.2 Performance Indicators

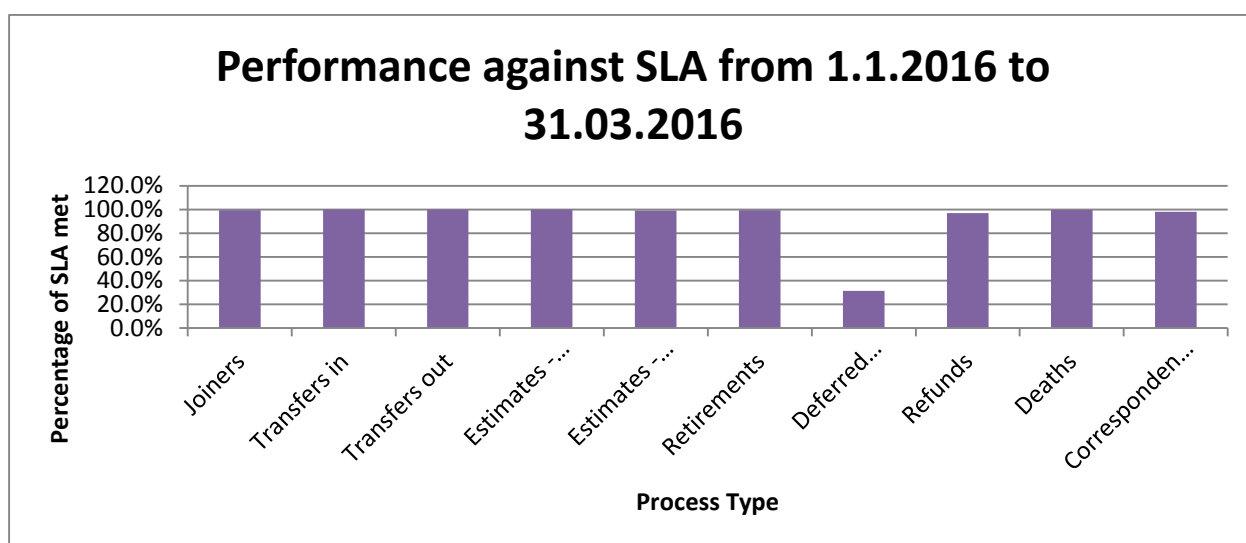
Performance of the Pension Fund is measured in the following key areas:

- 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. Separate quarterly reports providing commentary on key governance and risk management issues are provided to the Pensions Committee summarising performance in the Risk and Performance Report with a detailed report provided to the Pension Board in the Governance and Risk Management Report.

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 85%. Excluding the processing of Deferred Benefits cases which is impacted by the increased volumes of cases discussed in section 1.1, the on-time processing is in excess of 99%.



The overall level of cases completed in the previous four quarters is shown in the following table. The variation across the quarters reflects normal annual volume fluctuations across all case types except for deferreds, joiners and refunds where additional cases have been identified through year end processing discussed in section 1.1.

Key Processes Completed	01.04.2015 to 30.06.2015	01.07.2015 to 30.09.2015	01.10.2015 to 31.12.2015	01.01.2016 to 31.03.2016
Joiners	741	540	848	1125
Transfers in	171	299	197	304
Transfers out	69	257	196	259
Estimates - member	594	495	564	597
Estimates - employer	143	198	174	208
Retirements	843	820	814	876
Deferred benefits	810	1,344	1,456	1,510
Refunds	259	325	404	668
Deaths	244	229	205	355
Correspondence	1,218	13,260	1,325	1,377
Total Key Processes Completed	5,092	17,767	6,183	7,279

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 7,279 cases were completed and 1 complaint received.

Complaints and Internal Dispute Resolution Procedures	Apr – Jun 2015				Jul – Sept 2015				Oct – Dec 2015				Jan–March 2016			
	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	2	1	0	1	1	1	0	0	3	3	0	0	1	1	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	1	0	0	0	1	1	0
Total	0	2	1	0	1	1	1	0	1	4	3	0	2	1	1	0

LPFA Service Complaints:

- A complaint was received from a member who received another member's refund paperwork in error. Both scheme members have been offered identity fraud protection and LPFA have reviewed our process to ensure that addresses are checked against latest paperwork provided by the employer and Experian is used for historic cases.

Administering Authority Complaints:

- A stage 1 IDRP has been submitted raising a complaint about the way an added years contract was set up. This is a historical case prior to the LPFA contract and has been found carrying out a data cleansing exercise. LPFA have provided details to the Administering Authority and £500 compensation has been paid to the member.

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 8 instances of late payments being made by employers during the period January 2016 to March 2016 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 previous meetings with the Pensions Committee and Board we have reported on the challenges faced in meeting the statutory deadline of 31 August (laid out in the Pensions Act 2013) for producing and issuing Annual Benefit Statements for all members of the LGPS.

For the 2014/15 exercise, HCC advised the Pensions Regulator that it had not been able to issue all statements within the timescales and provided a plan of action to ensure compliance in future years. The Pensions Regulator confirmed they were satisfied with the action plan and advised that any future breaches must be reported so that the Pensions Regulator can determine whether any improvement notices or penalties should be issued.

As a result of this, a project team was set up with key objectives to:

- Communicate with Scheme Employers about their responsibilities under the Scheme and advise the sanctions that may apply if requirements are not met. Secure confirmation from all Scheme Employers that the message has been received and understood.
- Develop a clear communications plan for advising Scheme Employers of the requirements, timescales for the 2015/16 exercise and support available.
- Carry out a review of systems and processes to identify and implement improvements.

Progress to date:

- 234 out of 239 Scheme Employers confirmed their understanding of their responsibilities. Those that did not respond have been contacted by the Administering Authority directly.
- 223 out of 239 Scheme Employers submitted year end data by the deadline of 29 April. All Scheme Employers that did not meet the deadline will be fined in line with the Administration Strategy.
- 7217 membership record queries generated from year end data
- 383 membership record queries cleared to date

Herts LPFA offered training and guidance to all Scheme Employers and provided training and guidance to over 25 Scheme Employers before the end of February 2016. Further guidance has been provided to the majority of Scheme Employers to enable them to complete and upload their year-end returns by the submission deadline.

Next steps:

Scheme Employers are required to respond to all membership record queries by 17 June 2016. The LPFA Pensions Team is working proactively with Scheme Employers to ensure they are aware of the deadlines for response and providing support, where required, to resolve membership queries.

2. Tell Us Once/National Insurance Number database

LGA have recently launched a National Insurance Number database which enables other LGPS pension funds in England, Wales and Scotland to share LGPS member details. 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, and secondly, to allow HCC to benefit from the DWP Tell Us Once service.

An extract of the membership information contained in the National Insurance Number 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.

HCC now participates on a monthly basis to share data sharing alongside other LGPS pension funds in England, Wales and Scotland. The first data extract was uploaded in May and the results are expected shortly

3. 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.

4. 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..

The project to address this work is now underway and appropriate resources have been put in place to ensure the project is delivered on time and to the agreed budget of circa £192k.

To date the work completed includes;

- 1,642 deferred records have had their GMP details updated
- 313 pensioner records have had their GMP details revised
- 1,190 records investigated to establish correct liability
- 841 records investigated to establish correct Contracting out date or GMP amount queries
- 24,587 queries have been uploaded to HMRC to review

Work to correct pensioner records in payment which may involve reductions or increases to existing pension payments will commence in next 4 to 6 weeks. Communications and letters have been agreed with officers at Hertfordshire.

SECTION 3 LGPS REGULATIONS AND SCHEME CHANGES

1. Amended Government Actuarial Department Factors

The Government Actuary's Department released amended guidance notes with associated factors which will directly affect a number of pension calculations. Some calculations relating to transfers of benefits have had to be placed on hold pending additional guidance and clarification.

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

We previously informed the Board of the draft 'Public Sector Exit Payment Regulations 2016' which will apply to payments made by public sector employers to reduce or eliminate an actuarial reduction to an employee's pension on early payment

These regulations are expected to come into effect in summer/autumn 2016 and we still await further updates. 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.