

**LONDON PENSIONS FUND AUTHORITY
LOCAL GOVERNMENT PENSION FUND ADMINISTRATION REPORT**

Agenda Item
No:

9

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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 2,166 members, pensioners have increased by 324 and deferred members have increased by 459 during Quarter 1 2016/17.

The changes in numbers across active 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.



Scheme Employers: The total number of active scheme employers in the Pension Fund has decreased by 6 during the last quarter. There are currently 253 active employers and a further 145 employers with deferred and pensioner liabilities.

1.2 Performance Indicators

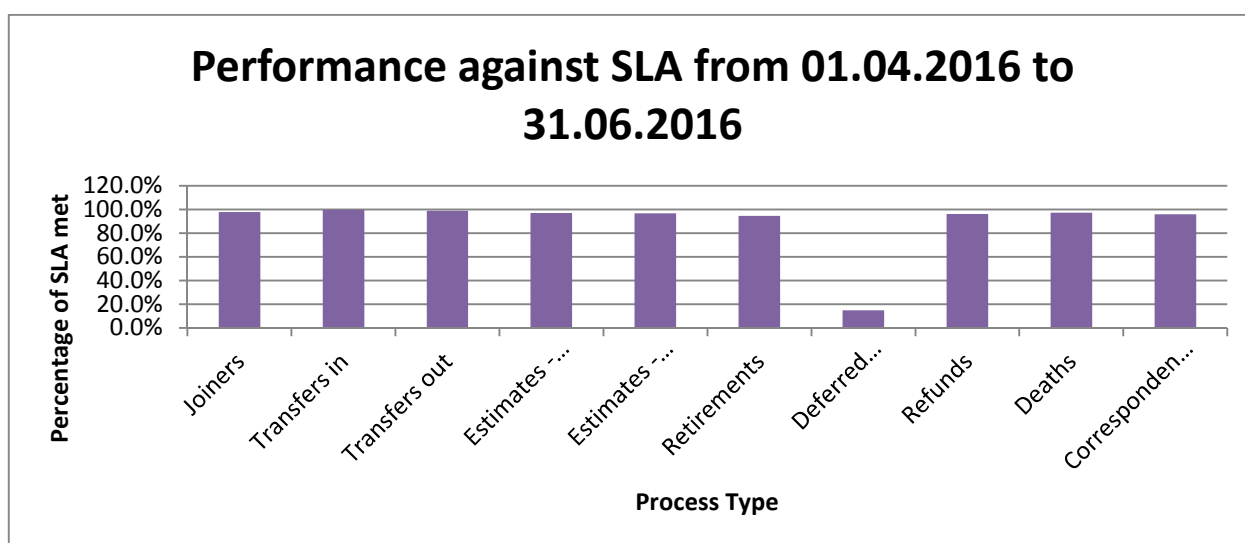
Performance of the Pension Fund is measured in the following key areas:

- 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 86%. 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 96%.



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	01.07.2015 to 30.09.2015	01.10.2015 to 31.12.2015	01.01.2016 to 31.03.2016	01.04.2016 to 30.06.2016
Joiners	540	848	1125	786
Transfers in	299	197	304	482
Transfers out	257	196	259	195
Estimates - member	495	564	597	585
Estimates - employer	198	174	208	205
Retirements	820	814	876	809
Deferred benefits	1,344	1,456	1,510	1,759
Refunds	325	404	668	772
Deaths	229	205	355	261
Correspondence	13,260	1,325	1,377	9,017
Total Key Processes Completed	17,767	6,183	7,279	14,871

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 14,871 cases were completed and 1 complaint received.

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

LPFA Service Complaints:

- One complaint was received in the quarter from a member who wanted early release of their deferred pension with North Herts Regional College. There were some delays in replying due to the employer mixing up the members Teachers Pension and LGPS Pension. This has now been resolved and the member may appeal the employer's decision under IDRP. The two brought forward complaints cases were also resolved in the quarter.

Administering Authority Complaints:

- None

Administering Authority IDRPs:

- One IDRP was brought forward and resolved during the quarter. This related to a complaint about how an added years contract was set up. This is a historical case prior to the LPFA contract and has been found whilst 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 2 instances of late payments being made by employers during the period April 2016 to June 2016 out of approximately 1000 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.
- 9,024 membership record queries generated from year end data
- 9,016 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:

LPFA can now report that 100% of Annual Benefit Statements were produced and dispatched by 31 August 2016.

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, 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. This has resulted in a number of deaths being notified before payroll cut off dates reducing overpayments of pension.

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 is in place via risk scoring, and seeks to 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.

The annual employer surveys will be issued around September/October 2016. Any employer risk identified from the surveys will be added and then reported to HCC Pensions Team for further action. Any risk identified will also be added to the risk monitoring register.

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.

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 records is detailed below;

Currently we have reviewed the pensions in payment of 273 members. Of these members:

- 153 members upon investigation needed only their pension record to be corrected to record the GMP figures in the correct fields
- 65 members have received a reduction to their benefits following the revision
- 2 members have received an increase to the benefits following the revision
- 53 members need to have their revision calculation checked

The impact on the pension payroll of the work carried out so far is as follows:

- A reduction to the overall pensions payroll of £8,048.00 per annum
- The total overpayment calculated so far amounts to £38,365.00

“Orphan record” is the term that we have been using for a member that appears on HMRC’s output that we could not match to a HCC scheme member on the LPFA’s membership database. There were 2,953 of these records on HMRC’s data that could potentially result in the Fund being liable to pay a GMP benefit to a person who has never been a contributing member.

We initially requested more information from HMRC to help us trace these members including their date of birth, full names and any surnames, name of their employer.

We have received the additional information from HMRC and completed a review of these members. Our findings are as follows:

- HMRC have updated 712 records to show no liability under HCC’s scheme
- 479 records we have been able to trace to a member on Altair and will action accordingly
- 1,762 records we have still been unable to trace to a member. These records are ‘orphan’ records, and if it cannot be proven that they do not belong to HCC the fund will inherit the related liabilities.

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. The new factors are now assimilated into our working practises. However, amended factors for late retirements have not yet been released and cases will be reviewed once the new factors are received.

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.

The introduction of the Government's policy which will require high earners (earning £80,000 or more) who leave employment in the public sector with an exit payment, to repay the exit payment or a proportion of it if they return to public sector employment within 12 months, has been delayed and the date for implementation is now unclear.

The Government has also stated that it intends to implement the public sector £95,000 exit payments cap legislation in autumn.

Until the legislation is made we cannot be definitive as to when it will come into force but we will inform Hertfordshire County Council and all employers as soon as the position is finalised.