

LOCAL PENSIONS PARTNERSHIP LOCAL GOVERNMENT PENSION FUND ADMINISTRATION REPORT

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Agenda Item
No:

5

Purpose of the report

This report is provided by the Local Pensions Partnership (LPP) 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

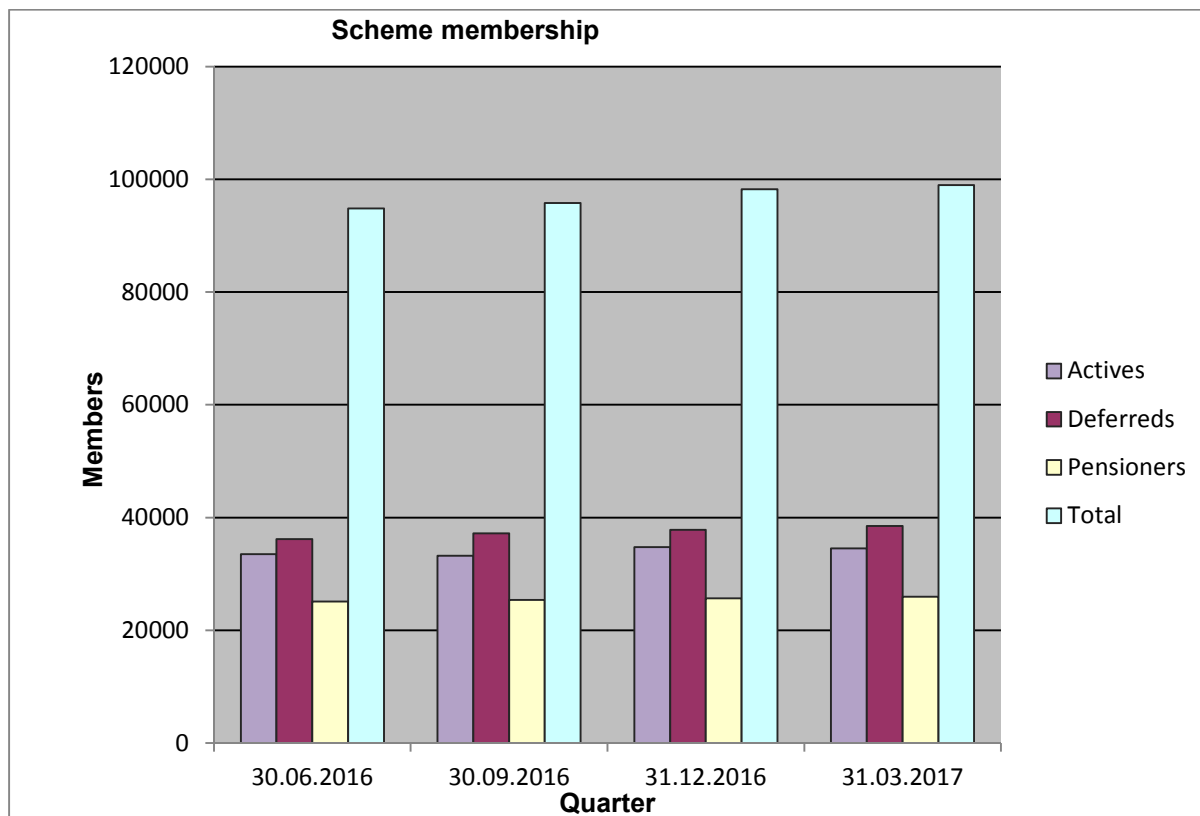
Recommendations

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 fallen by 215 members, pensioners have increased by 271 and deferred members have increased by 676 during Quarter 4 2016/17.



Scheme Employers: The total number of active scheme employers in the Pension Fund has increased by 1 during the last quarter. There are currently 265 active employers and a further 152 employers with deferred and pensioner liabilities.

1.2 Performance Indicators

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

- The LPP Pensions Administration Services is measured against key performance indicators (KPIs) that measure compliance, efficiency and effectiveness of the service, see Section 1.3. KPIs are a combination of quantitative and qualitative measures which track processing of cases against agreed timescales (e.g. joiners, leavers, transfers etc. processed within X days), and ongoing compliance with key policies and procedures – such as the Council's Financial Regulations, data protection requirements etc.
- 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 LPP 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 over 83%. 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 table below shows processing activity on deferred benefits over the past year and forecasts the year ahead. New cases added do not fall evenly therefore the profile of last year's cases received has been repeated as a best estimate. We have also worked on the expectation that 600 cases per month will be cleared from July.

The table shows that there is likely to be a spike in deferred benefits arising from year end processes. This is caused by employers not submitting leaver data throughout the year.

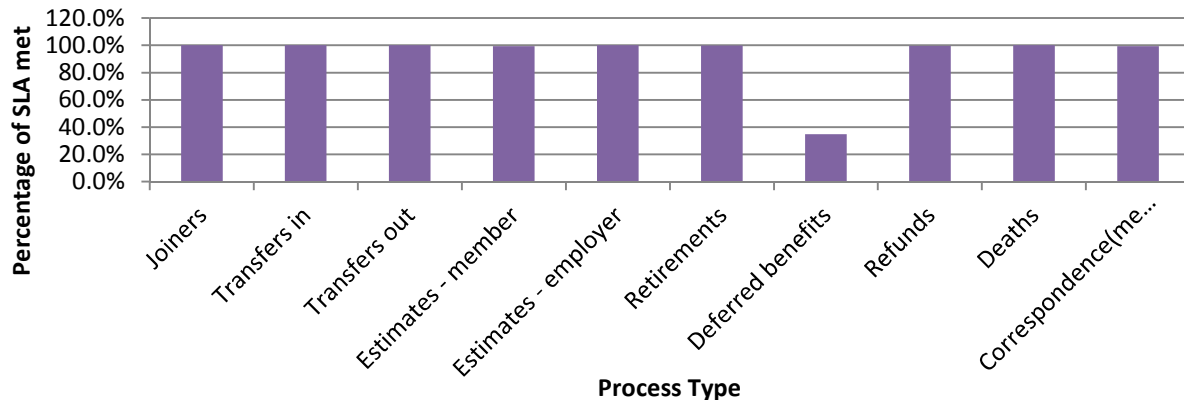
Deferred Benefit Cases:

	Actual figures from previous year											
	30-Jun-16	31-Jul-16	31-Aug-16	30-Sep-16	31-Oct-16	30-Nov-16	31-Dec-16	31-Jan-17	31 Feb 17	31-Mar-17	30-Apr-17	31-May-17
B/F	2360	2471	1774	1427	1814	1507	1725	1385	1495	1159	926	1416
Added	765	352	505	1151	115	780	66	662	304	193	728	88
Cleared	654	1049	852	764	422	562	406	522	640	426	238	387
C/F	2471	1774	1427	1814	1507	1725	1385	1495	1159	926	1416	1117
<i>Outside of SLA*</i>												409

	Projected figures for the year ahead											
	30-Jun-17	31-Jul-17	31-Aug-17	30-Sep-17	31-Oct-17	30-Nov-17	31-Dec-17	31-Jan-18	31 Feb 18	31-Mar-18	30-Apr-18	31-May-18
B/F	1117	1498	1250	1155	1706	1221	1401	867	929	633	226	354
Added	765	352	505	1151	115	780	66	662	304	193	728	88
Cleared	384	600	600	600	600	600	600	600	600	600	600	442
C/F	1498	1250	1155	1706	1221	1401	867	929	633	226	354	0
<i>Outside of SLA*</i>	790	542	447	998	513	693	159	221	0	0	128	0

* This line shows the amount of cases carried forward that are likely to fall outside of the service level agreement (SLA) before being cleared. It is assumed that cases outside of SLA will be cleared in date order.

Performance against SLA from 01.01.2017 to 31.03.2017



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 deferred, joiners and refunds where additional cases have been identified through year end processing discussed in section 1.1.

Key Processes Completed	01.04.2016 to 30.06.2016	01.07.2016 to 30.09.2016	01.10.2016 to 31.12.2016	01.01.2017 to 31.03.2017
Joiners	786	581	743	646
Transfers in	482	513	425	439
Transfers out	195	175	238	396
Estimates - member	585	527	569	701
Estimates - employer	205	99	157	155
Retirements	809	991	966	869
Deferred benefits	1,759	2,665	1,390	1,588
Refunds	772	325	402	436
Deaths	261	222	206	288
Correspondence	9,017	1,729	1,038	821
Total Key Processes Completed	14,871	7,827	6,134	6,222

LPP 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 6,222 cases were completed and only 1 complaint was received against LPP's service.

Complaints and Internal Dispute Resolution Procedures	Apr – June 2016				Jul – Sept 2016				Oct – Dec 2016				Jan– Mar 2017			
	BBF Previous Quarter	New	Completed - Upheld	BBF Previous Quarter	New	Completed - Upheld	Completed - Not Upheld	Completed - Not Upheld	BBF Previous Quarter	New	Completed - Upheld	Completed - Not Upheld	BBF Previous Quarter	New	Completed - Upheld	Completed - Not Upheld
LPP Service Complaints	0	4	0	0	2	1	3	0	2	2	2	0	2	1	3	0
Administering Authority Complaints	0	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0
Administering Authority IDRPs	4	0	4	0	1	0	0	1	0	1	0	0	1	0	0	1
Total	4	4	0	0	3	0	0	0	0	4	2	0	4	1	3	1

LPP Service Complaints:

- A complaint was received due to the member receiving a delayed response to their queries. The matter has been dealt with and the member met with Herts LPP staff where it transpired that the initial queries had been sent to an incorrect email address. All queries sent to the correct email address have been answered within SLA.
- A complaint was received from a member who had received personal information regarding another member of the Herts Pension Fund. This was reported to LPP's data protection team who have offered data protection services to the member involved for 6 months. LPP will be reviewing what data is included on letters, forms and calculations as part of a wider project in the near future.
- A complaint was received regarding delayed retirement figures. A letter apologising to the member has been sent along with the requested information.

Administering Authority Complaints:

- A complaint was received regarding a Third Tier III Health Pension ceasing. The regulations state the Third Tier III Health Pension should cease after three years unless it has been uplifted to the Second Tier following a referral request from the member. LPP previously awaited instruction from employers to cease Third Tier III Health Pensions, which has resulted in over payments, so the process has been amended in conjunction with Hertfordshire County Council HR to cease all Third Tier III Health Pensions after three years and inform the employer. Hertfordshire County Council are reviewing leaver information to ensure that the member was aware that this pension would only be payable for a maximum of three years. An article will be included in the employer newsletter to ensure that employers are aware of this change.

Administering Authority IDRP's:

- A stage 1 appeal regarding under-paid added years' contributions that has been turned down by the employer and has now moved to stage 2. A further £500 compensation has been awarded to the member and paid. The member has now appealed under stage 2 of the procedure.

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 10 instances of late payments being made by employers during the period January 2017 to March 2017 out of approximately 1000 payments due, and details are provided in the attached table at Appendix 1 to the report. 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 Employer Covenant

The LPP 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 were recently reviewed and have been made more thorough to ensure that they will highlight all risks that the fund needs to be made aware of. They were issued to all active employers at the start of June 2017.

2 Guaranteed Minimum Pension (GMP) Reconciliation

In April 2016, contracting out status for all UK defined Benefit schemes ended. 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.

i. Payroll Revisions

- a. All 1,145 pensioner records have now been reviewed, with 483 records requiring a revision to a pension in payment.
- b. Of the 483 records that have required a revision to the pension in payment, 11 have yet to be passed to payroll as 10 records require additional information from the archive records at County Hall before the revision can be completed and 1 record has been sent to LPP Herts for an additional checking step as the revision calculation was exceptionally long.
- c. The remaining 472 records have had the revision forms passed to payroll and will be implemented up to and including the June 2017 payroll run.
- d. The overall impact on the pensions payroll currently amounts to a payroll reduction of £43,376 per annum.
- e. The total overpayment that we have calculated so far amounts to £389,571.

ii. Dependant records

- a. We have completed a manual reconciliation of the 1,804 dependant records that HMRC believe hold a liability within the Hertfordshire County Council pension fund. The results of this analysis is as follows:
 - b. 635 Records were traced and have matching GMP figures
 - c. 798 Records were traced but have mismatching GMP figures
 - d. 84 Records were matched but the dependant has now passed away

- e. 80 Records were matched but are held as no liability on Altair
- f. 12 Records we believe have an error with the information that HMRC has provided
- g. 195 Records on HMRC's data cannot be traced to a record on Altair
- h. The resulting work that is required to resolve the issues identified throughout the dependants' reconciliation will form part of the next phase of the GMP reconciliation project.

iii. Orphan Records

- a. At the end of January 2017, Hertfordshire County Council agreed that they would assist LPP in trying to identify some of the remaining 1,760 "Orphan Records" by running a list of these individuals across the Council's payroll system to see if they appear but are not a member of the LGPS.
- b. This list has now been prepared and we have been in contact with the HR Manager, Strategy, Policy & Reward to discuss what information Hertfordshire County Council would require (and in what format) as well as over what periods would they need to be searching.
- c. Please note that we have held this particular work stream on the project plan as 75% complete even though we have already completed the manual matching exercise of the Orphan Records that relates to this work stream. This is to highlight that this additional piece of work is still ongoing and the outcome of the payroll match will need to be reviewed.
- d. LPP would recommend that any further queries that are generated in respect of the orphan records form part of the next phase of the reconciliation project.

The table below shows the GMP project activity and its current status:

Activity	Start Date	End Date	Actual % Complete	Forecast % Complete
HCC GMP Reconciliation - Second Stage	02/11/2015	18/05/2017	95 %	100 %
Initiation				
Internal Document sign off	02/11/2015	03/12/2015	100 %	100 %
External Document sign off	04/12/2015	11/01/2016	100 %	100 %
Initial project set				
Resourcing	22/01/2016	24/02/2016	100 %	100 %
Agree revision letters	22/01/2016	27/01/2016	100 %	100 %
Staff training	24/02/2016	01/03/2016	100 %	100 %
Phase 1 Work - Record revisions and Multiple Records				
Work Stream 1 - DB GMPs bulk uploaded to Altair	03/03/2016	07/03/2016	100 %	100 %
Work Stream 1 - Manual update bulk upload rejections	07/03/2016	14/03/2016	100 %	100 %
Work Stream 1 - Review records where Altair and HMRC GMP figures differ	16/03/2016	25/03/2016	100 %	100 %
Work Stream 2 - Pensioners under SPA GMP to update on Altair	29/03/2016	11/04/2016	100 %	100 %
Work Stream 2 - Review records where Altair and HMRC GMP figures differ	14/04/2016	18/04/2016	100 %	100 %
Work Stream 3 - Pensioners over SPA benefit revisions	19/04/2016	02/08/2016	100 %	100 %
Work Stream 3 - Review records where Altair and HMRC GMP figures differ	18/08/2016	27/01/2017	98 %	100 %
Work Stream 4 - Manual Reconciliation of Dependants Pensions*	22/02/2017	21/03/2017	100 %	100 %
Work Stream 4 - Dependant Pensions "Was in Scheme" queries investigation*	27/03/2017	14/04/2017	100 %	100 %
Work Stream 5 - Manual Reconciliation of "Multiple Records"	29/03/2016	11/11/2016	100 %	100 %
Phase 2 Work - Creation and Upload of Query Lists				
Work Stream 6 - Revaluation rate Queries	03/03/2016	04/03/2016	100 %	100 %
Work Stream 7 - Surname Queries	03/03/2016	06/05/2016	100 %	100 %
Work Stream 8 - "Was in Scheme" Queries	03/03/2016	04/03/2016	100 %	100 %
Work Stream 9 - Request for Spouses details from HMRC	03/03/2016	04/03/2016	100 %	100 %
Work Stream 10 - "Not in Scheme" queries upload	10/10/2016	11/10/2016	100 %	100 %
Work Stream 11 - GMP Amount queries upload	23/03/2016	24/03/2016	100 %	100 %
Work Stream 12 - Contracted-out Dates queries upload	27/04/2017	28/04/2017	100 %	100 %
Phase 3 Work - Manual Investigation of Queries				
Work Stream 13 - Bulk extract and manual investigation of "Not in Scheme" queries	03/03/2016	07/10/2016	100 %	100 %
Work Stream 13 - Review "Orphan Records" information received from HMRC	07/03/2016	18/05/2017	75 %	100 %
Work Stream 14 - Manual investigation of GMP amount queries	03/03/2016	23/03/2016	100 %	100 %
Work Stream 15 - Manual investigation of Contracted-out Dates queries	03/03/2016	26/04/2017	100 %	100 %

* Original Project Plan activity was as follows:

Work Stream 4 - Revisions to Dependant pensions with no GMP currently on Altair

Work Stream 4 - Review records where Altair and HMRC GMP figures differ

SECTION 3 LGPS REGULATIONS AND SCHEME CHANGES

1 Recent court ruling

Following the court ruling in Northern Ireland relating to the pension scheme not having the discretion to provide a dependants benefit if a nomination form was not held, whilst we do not believe this will have any significant effect on the LGPS scheme (with only deferred members who left and died between 1 April 2008 and 31 March 2014 not provided for with current regulations). We are still waiting on promised advice from Government with a national approach to cover all public sector scheme suggested.

3 Exit Payments

Exit Payment Cap

Further to the previous update that the Enterprise Act became effective from 1 February 2017 and that we a further consultation from HM treasury is awaited, this is an unchanged position.

Exit payment recovery

Equally no further update has been provided on the introduction of the exit payment recovery (for members earning in excess of £80,000).

We have been advised by officers from the Department of Communities and Local Government (DCLG) that only essential pension legislation will be processed during the Brexit process, it is unclear whether necessary amendments that would be required to implement the exit payment cap and recovery would be considered essential.

4 Pensions Dashboard

Implementation of the Defined Contributions pension schemes 'dashboards' from 2019 is making progress, with the plan being that Defined Benefit and Public Sector schemes join this practice shortly after. LPP's software provider Heywoods have been involved in the design of the system however a number of significant concerns still remain outstanding:

- i. Who will pay for the system (pay per click/levy via The Pension Regulator, Government provided)
- ii. The security will be provided via the UGOV website and login facility- but risk of such data being mishandled is significant.
- iii. Stopping sales approach being built in.
- iv. Comparing different schemes data if fund 1 pays benefits unreduced at 65 whereas fund 2 pays at 68 will the dashboard allow members to compare like with like?
- v. How to avoid miss-selling 'sharks' (PPI sales teams being diverted to 'encourage' those over 55 to check their dashboard then they will 'assist' the member to receive a cash injection).

4 Overseas transfers

In the March Budget the Government introduced a 25% tax charge for some overseas transfers paid from this date. The LPP has now put in place an amended process to capture and pay this adjusted value from the transfer value to HMRC. It is anticipated this will significantly reduce the request to make overseas transfer when the member is not residing in the receiving country.

5 Amendment regulations

Finally the expected amendment regulations to introduce freedom and choice approach to AVC's and amended fair deal have not been released, and there is no expectation that this will occur any time shortly.