

**LOCAL PENSIONS PARTNERSHIP  
LOCAL GOVERNMENT PENSION FUND ADMINISTRATION REPORT**

Agenda item  
No:

**9**

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**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

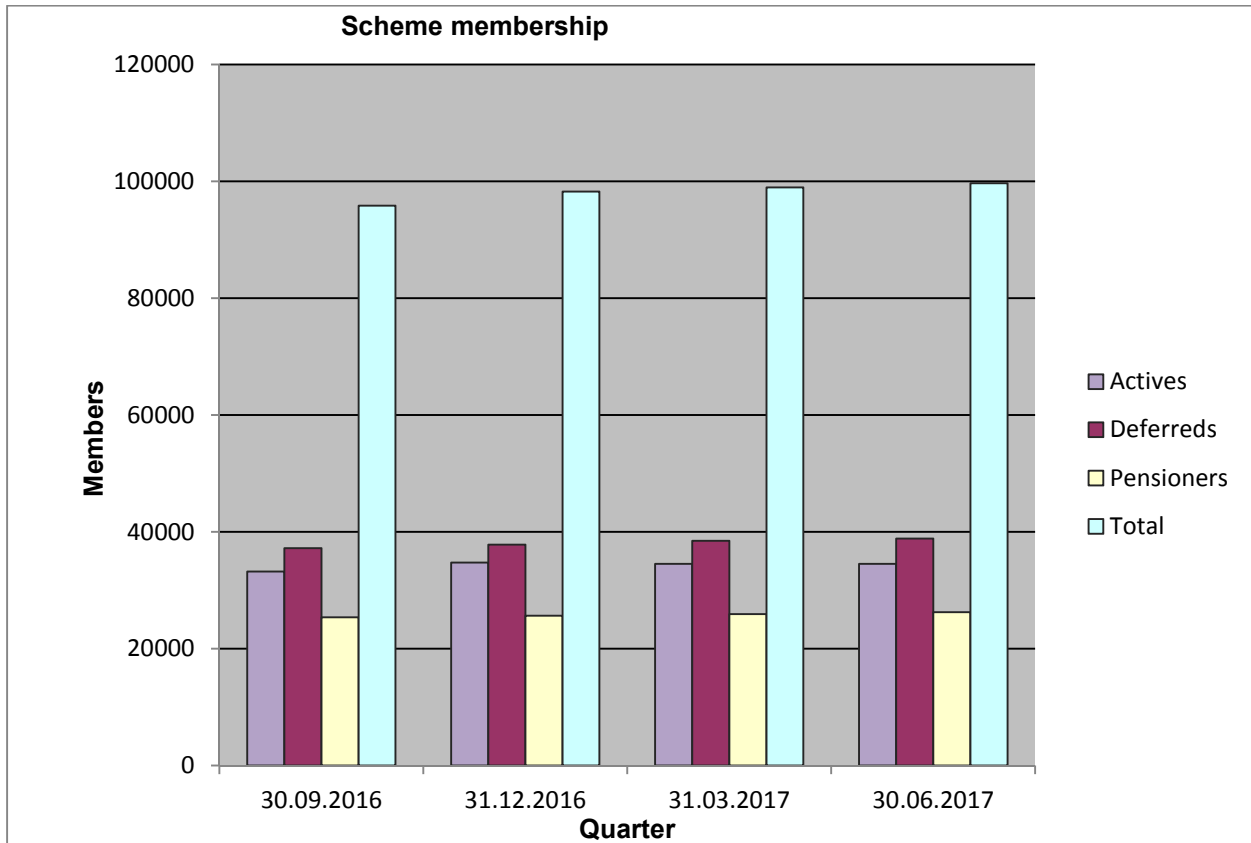
**Recommendations**

That the Board notes the contents of this report.

## SECTION 1 STATISTICS AND KEY PERFORMANCE INDICATOR

### 1.1 Pensions Fund Statistics

**Scheme Membership:** The following graph provides an analysis of total membership to the Scheme which shows active membership has remained steady and decreased by 2, pensioners have increased by 309 and deferred members have increased by 377 during Quarter 1 2017/18.



**Scheme Employers:** The total number of active scheme employers in the Pension Fund has increased by 1 during the last quarter. There are currently 266 active employers and a further 153 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 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 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 87%. 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 97%.

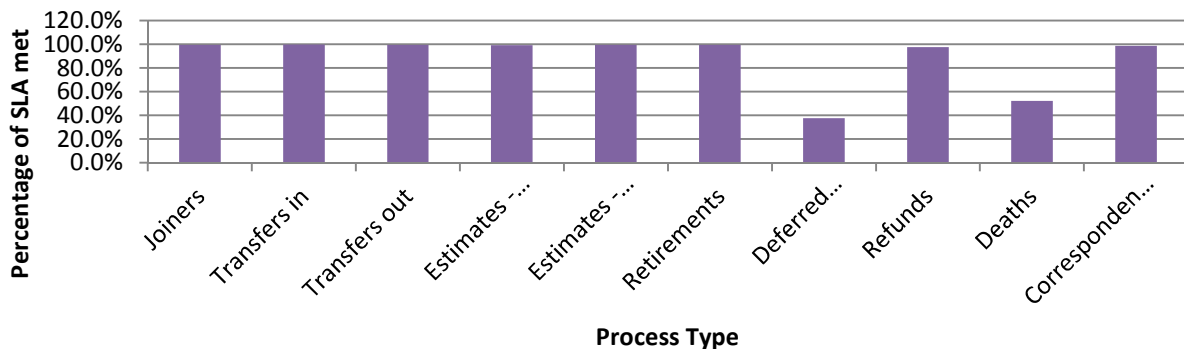
The table below shows processing activity on deferred benefits over the past year and forecasts the year ahead. New cases added do not fall evenly therefore the profile of last year's cases received has been repeated. We have also worked on the basis that 600 cases per month will be cleared from July.

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.

	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-17	31-Jan-18	31 Feb 18	31-Mar-18	30-Apr-18	31-May-18
<b>B/F</b>	2360	2471	1774	1427	1814	1507	1725	1385	1495	1159	926	1416
<b>Added</b>	765	352	505	1151	115	780	66	662	304	193	728	88
<b>Cleared</b>	654	1049	852	764	422	562	406	522	640	426	238	387
<b>C/F</b>	2471	1774	1427	1814	1507	1725	1385	1495	1159	926	1416	1117
<b>Outside of SLA*</b>												<b>409</b>
	Actual & 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>B/F</b>	1117	1617	1647	1994	2545	2060	2240	1706	1768	1472	1065	1193
<b>Added</b>	857	631	965	1151	115	780	66	662	304	193	728	88
<b>Cleared</b>	357	601	618	600	600	600	600	600	600	600	600	1281
<b>C/F</b>	1617	1647	1994	2545	2060	2240	1706	1768	1472	1065	1193	0
<b>Outside of SLA*</b>	909	939	864	1415	930	1110	576	638	342	-65	63	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 01.04.2017 to 30.06.2017



There has been an impact on the service level agreement (SLA) for Death Cases. This is due to all on hold cases being progressed for review to chase outstanding responses to allow cases to be completed. This has resulted in the SLA reducing to approximately 50%, however, LPP have increased the resource working on this process to include experienced administrators within our Preston office to address this backlog as quickly as possible.

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.

<b>Key Processes Completed</b>	<b>01.07.2016 to 30.09.2016</b>	<b>01.10.2016 to 31.12.2016</b>	<b>01.01.2017 to 31.03.2017</b>	<b>01.04.2017 to 30.06.2017</b>
Joiners	581	743	646	859
Transfers in	513	425	439	287
Transfers out	175	238	396	258
Estimates - member	527	569	701	787
Estimates - employer	99	157	155	200
Retirements	991	966	869	927
Deferred benefits*	2,665	1390	1,588	982
Refunds	325	402	436	500
Deaths	222	206	288	167
Correspondence	1,729	1,038	821	940
<b>Total Key Processes Completed</b>	<b>7,827</b>	<b>6,134</b>	<b>6,222</b>	<b>5,907</b>

\*LPP are working with Hertfordshire County Council officers to identify employers that have submitted late leaver information following the 2016/17 year-end.

### Annual Benefit Statement Exercise 2017

LPP dispatched all deferred and active annual benefit statements before the deadline of 31 August 2017. However, when calculating the death grant for the 32,474 deferred members an error occurred on 8,766 statements whereby death grants were underrated by approximately 40%. All affected members have been sent a revised statement including an apology and explanation regarding the error.

**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 5,907 cases were completed and only 3 new complaints were received against LPP's service.

Complaints and Internal Dispute Resolution Procedures	Jul – Sept 2016				Oct – Dec 2016				Jan – Mar 2016				Apr – Jun 2017				Carried forward
	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	
LPP Service Complaints	2	2	1	3	0	2	2	2	0	2	1	3	0	3	2	1	0
Administering Authority Complaints	0	0	0	0	0	1	0	0	1	0	0	0	0	0	0	1	0
Administering Authority IDRPs	0	1	0	0	1	0	1	0	0	1	0	0	1	1	1	1	0
<b>Total</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>0</b>

### LPP Service Complaints:

- A complaint was received from a member who is unable to transfer funds out of the pension scheme. This is because the member is within one year of retirement and the regulations do not allow this. The complaint is regarding LPP not keeping the member fully informed of the facts and relevant details in previous requests for cash equivalent transfer values. LPP responded to the member outlining the regulations and that previous quotations provided were guaranteed for three months and that LPP cannot offer any financial advice. The member was also informed of their right to appeal, and they have done so under IDRP.
- A complaint was received regarding the delays in processing a widow's pension. Following on from a telephone call the member's case was prioritised and a letter of apology providing all information was sent and payment of the short-term and long-term pension set-up.
- A complaint was received from a member wishing to commute their pension to a single lump sum payment and he was initially told that he was ineligible to do this. The member queried this information and we subsequently advised him that he may yet be able to do so as long as his total pension benefits from any source (excluding his state

pension) are valued at less than £30,000. We apologised for this error and enclosed a discharge form with our letter.

#### **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. Hertfordshire County Council did not uphold the complaint and the member has been informed.

#### **Administering Authority IDRs:**

- A stage 1 appeal has been received (outlined above), following a complaint case regarding transferring benefits out of the scheme within one year of retirement. Hertfordshire County Council has not upheld the appeal and the member has requested forms to appeal under stage 2.
- A stage 1 appeal has been received regarding the change in the late retirement factors introduced by Department for Communities and Local Government. LPP are assisting Hertfordshire County Council in their 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 11 instances of late payments being made by employers during the period April 2017 to June 2017 out of approximately 1000 payments due, and details are provided in the attached table at Appendix A. 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 need to be made aware of.

Response to the employer surveys is shown in the table below:

Employer Type	Amount Sent	Date Sent	Date Due	Rec. by Due Date	Rec. Post Due Date	O/S	Chase Dates
Admitted Bodies	72	30/05/17, 02/06/17 & 05/06/17	16/06/17	25	8	39	11/08/17 & 14/08/17
Resolution Bodies	36	06/06/17	20/06/17	21	9	6	14/08/17
Academies	104	31/05/17 & 01/06/17	14/07/17	50	17	37	14/08/17
Scheduled Bodies	17	10/07/17	24/07/17	4	5	8	14/08/17
Totals	229			100	39	90	

In total, 229 employers were sent surveys. Chasers were sent to all 129 employers that did not respond by the due date and this resulted in a further 39 surveys being returned; there are currently 90 surveys that remain outstanding. The school holidays will have impacted the response time for academies. Further chasers will be sent before the end of September.

### 2 GMP Reconciliation

From 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 second phase of the reconciliation, which focused on the results of the analysis of Hertfordshire County Council's Deferred Benefit and Pensioner members, has now been completed. The key results of this phase are as follows:

## **Payroll Revisions**

- All 1,145 pensioner records identified through the analysis as having a discrepancy in the GMP held on Altair and HMRC's data have now been reviewed.
- This was the number of pensioner records identified in the analysis as having matching contracting-out dates but a discrepancy in the GMP amount on Altair that was greater than the £2 per week tolerance set during the initiation of the project.
- Of the records that we have reviewed, 482 have required a revision to a pension benefit currently in payment.
- 480 of these revisions have already been passed to payroll for implementation between the August 2016 and August 2017 payroll runs resulting in an overall reduction to the pensions payroll of £43,779 per annum.
- The total overpayment calculated amounts to £394,499.

There are two outstanding revisions that we require confirmation from Hertfordshire County Council as to how they wish to proceed. Both of these cases are similar in that the issue with their pension predates the available payroll information so we cannot be sure on the total amount of pension that the members have been paid since retirement.

## **Overpayments of Pension**

Before this phase of the GMP reconciliation commenced, Hertfordshire County Council agreed that any overpayments calculated as a result of this project would be written off. This follows the precedent that Hertfordshire County Council has set in all the GMP projects that we have completed on behalf of the Council since 2011. One of which was following a ruling on a similar GMP exercise for Police Pension Scheme whereby HMRC admitted liability for not maintaining records correctly and advised to not recover any overpayments. There is no guidance from Government declaring these amounts as unrecoverable for this particular exercise, however, this is the course of action that we are seeing repeated by numerous Local Authorities that we are in contact with.

## **Dependant records**

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 are as follows:

- 635 records were traced and have matching GMP figures
- 798 records were traced but have mismatching GMP figures
- 84 records were matched but the dependant has now passed away
- 80 records were matched but are held as no liability on Altair
- 12 records we believe have an error with the information that HMRC has provided
- 195 records on HMRC's data cannot be traced to a record on Altair

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.



## **Altair Records Updates**

We have updated approximately 1,955 records that were under the State Pension Age with the GMP figures provided by HMRC.

## **Queries to HMRC**

We have uploaded a total of 29,370 queries to HMRC via the Shared Workspace. We have reviewed the responses to the 2,953 "Orphan Record" queries that we have received back from HMRC, however, the majority of these responses will be reviewed during the next phase of the GMP reconciliation project.

## **Orphan Records**

The review of HMRC's response to our Orphan Records queries found that there were 1,760 records that we still are unable to match to an LGPS member with Hertfordshire County Council.

In order to try to resolve as many of these as possible, Hertfordshire County Council agreed that a list of these outstanding records could be run against the Council's Payroll/HR system to see if any of these individuals appears as council employee's that were members of a different pension scheme. This list is currently with HR Manager, Traded and Support Service, Systems at Hertfordshire County Council.

The results from this match across Hertfordshire County Council's Payroll/HR system will be processed during 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
<b>HCC GMP Reconciliation - Second Stage</b>	<b>02/11/2015</b>	<b>18/05/2017</b>	<b>99 %</b>	<b>100 %</b>
<b>Initiation</b>				
Internal Document sign off	02/11/2015	03/12/2015	100 %	100 %
External Document sign off	04/12/2015	11/01/2016	100 %	100 %
<b>Initial project set</b>				
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 %
<b>Phase 1 Work - Record revisions and Multiple Records</b>				
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	99 %	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 %
<b>Phase 2 Work - Creation and Upload of Query Lists</b>				
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 %
<b>Phase 3 Work - Manual Investigation of Queries</b>				
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	100 %	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).

The Department for Communities and Local Government (DCLG) have now circulated a letter to all funds making clear that it is for LGPS funds in England and Wales to determine their approach in respect of claims arising from the Brewster case. The letter states that it would, in DCLG's view, be 'reasonable' for funds to rely on the judgment as well as section 3 of the Human Rights Act 1998 to *not* require that a survivor partner must have been nominated to have been eligible for an LGPS survivor's pensions in the circumstances set out below.

The LGPS in England and Wales previously included a similar requirement, meaning that:

- where a member had active membership in the 2008 Scheme,
- that member died on or after 1 April 2008 and prior to 1 April 2014,
- at the time of their death, the member was in a relationship where their partner would have met the definition of a 'nominated cohabiting partner' under regulation 25 of the LGPS (Benefits, Membership and Contributions) Regulations 2007), but no nomination had been made, no survivor's pension would have been payable to that partner.

The LPP is working to identify dependants of such members who may benefit. We are also waiting for further guidance from LGA for a national approach to make such payments, as it appears that we will need to make payments under current regulations. DCLG have confirmed that they have no intention of amending the Benefit regulations 2007.

Additionally, recently the Supreme Court passed a ruling on a case (Walker) relating to equal payment of benefits for a same sex married partner. We understand that Government lawyers are considering the possible impacts on the survivor benefits offered by public sector service pension scheme including the LGPS, we await their advice.

### **2 Exit Payments**

#### **Exit Payment Cap and exit payment recovery**

Following the update on exit payment reform provided in the last update, LPP have received confirmation that a fresh consultation on draft regulations governing the exit payment cap and exit payment recovery is due to take place in autumn. This would potentially mean an implementation for both reforms in the first half of 2018, subject to sufficient parliamentary time being found

### **3 Pensions Dashboard**

Plans for the introduction of the Pension Dashboard were announced by Chancellor George Osborne in March 2016, however, this adhered to advice to follow the Dutch system for defined contributions pension schemes by the FCA in 2014. The recommendations do not yet confirm if defined benefit schemes, like LGPS, will be required to supply details which will enable individuals to trace all of their pension benefits, values and options on one single site.

The 2016 budget statements stated:

The government will ensure the industry designs, funds and launches a pensions dashboard by 2019. A pensions dashboard is a digital interface where an individual can view all their retirement savings in one place.

Many defined contribution pension scheme providers and systems providers (including Heywoods who supply the LPP pensions administration system) have been very active in collaborating on producing a system which can accommodate the level of detail required and agreeing the common data that would need to be collected.

### **4 Amendment regulations**

LPP continue to await the expected amendment regulations to introduce Freedom and Choice approach to AVC's and amended fair deal, however, there is no expectation that this will occur any time shortly.

### **5 General Data Protection Regulations (GDPR)**

On 25 May 2018 the EU's General Data Protection Regulation (GDPR) comes into force containing new standards for the protection of individual's personal data in the European Economic Area.

LPP are aware that GDPR is an area that is attracting increased attention across the LGPS and there are a number of crucial questions where there are different views, in particular:

- a) the implications of GDPR for LGPS funds, and
- b) the work that needs to be undertaken to ensure administering authorities are fully compliant by the time GDPR comes into force.

At a national level, plans are also in place to help funds with their GDPR responsibilities:

- a number of funds have joined together to form a GDPR group. The group, in consultation with the communications working group, plan to produce sample documentation for use by LGPS funds, and
- the LGPS Secretariat will also be seeking a legal view on a number of specific questions that have been raised about GDPR in respect of the LGPS.

All information will be circulated to funds via the mailing list as and when this is available.