

**HERTFORDSHIRE COUNTY COUNCIL**

**LGPS PENSION BOARD**

**20 MARCH 2018 AT 10:30AM**

**Agenda  
Item No:**

**4**

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

*Report of LPP*

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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**

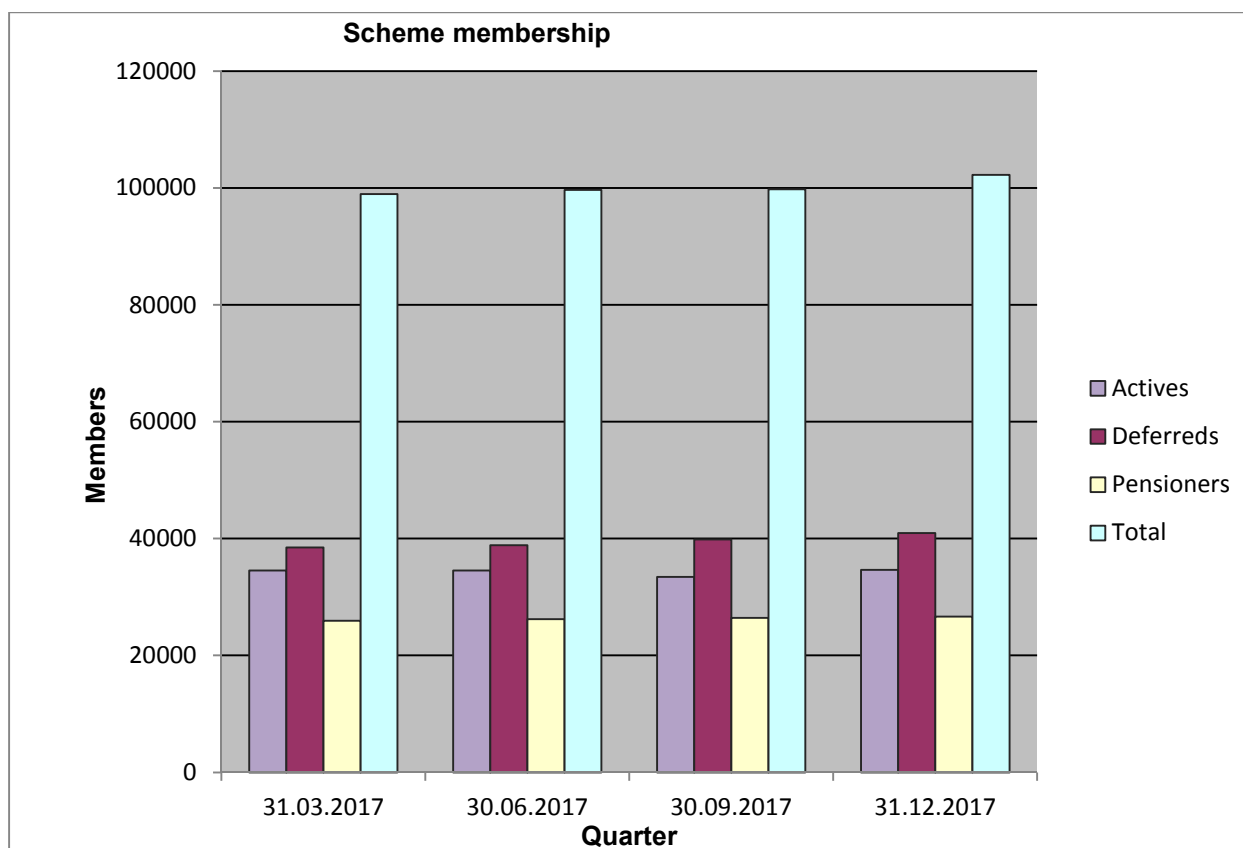
That the Board notes the contents of this report.



## 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 increased by 1,184, deferred members have increased by 1,089 and, pensioners have increased by 221. Overall membership increased by 2,494. The increase in active membership is likely to be due to the beginning of the academic year and clearance of deferred benefit cases will have increased the deferred membership.



The below table shows how the membership of the fund has evolved since 2005, with 2011 included as the date the administration transferred to London Pension Fund Authority.

Membership Type	31/01/2005	31/03/2011	31/03/2017
<b>Actives</b> - current contributing member	25,184	27,949	34,522
<b>Deferred</b> - no longer contributing, hold membership within the fund and not yet in receipt of their pension	14,492	25,088	38,511
<b>Pensioners</b> - currently in receipt of their pension or dependant pension	18,352	20,743	25,912
<b>Sub total</b>	<b>58,028</b>	<b>73,780</b>	<b>98,945</b>
<b>Undecided</b> - contributions have ceased and work is in progress	904	1,651	744
<b>Frozen Refund</b> - not reached vesting period and refund of pension contributions not claimed	5,489	5,098	5,388
<b>Third Tier Cessation</b> -Third Tier III Health pensions that have ceased	0	0	9
<b>Total</b>	<b>64,421</b>	<b>80,529</b>	<b>105,086</b>

**Scheme Employers:** The total number of active scheme employers in the Pension Fund has increased by 5 in the last quarter. There are currently 280 active employers and a further 155 employers with deferred and pensioner liabilities.

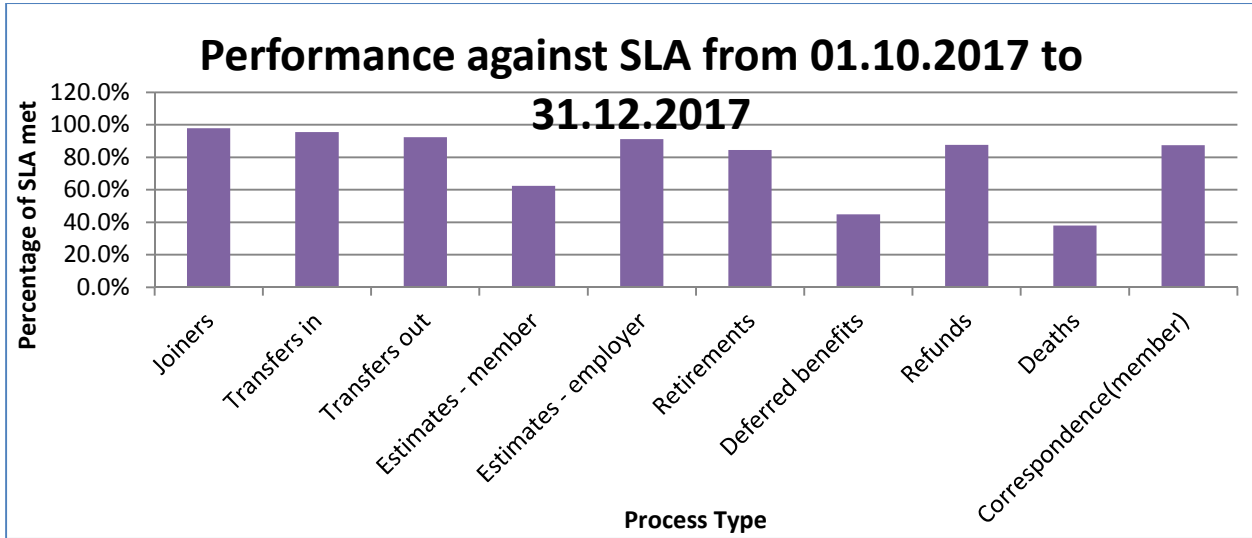
## **1.2 Performance Indicators**

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

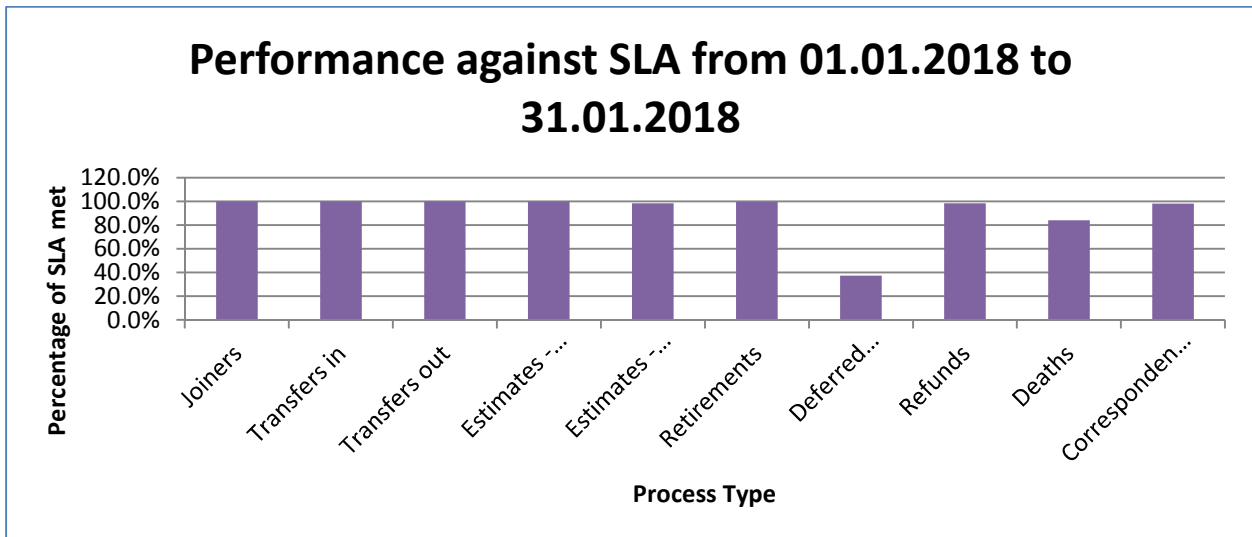
- The LPP Pensions Administration Services is measured against key performance indicators that measure compliance, efficiency and effectiveness of the service. See Section 1.3.
- Scheme Employers performance is measured against requirements set out in the Administration Strategy. See Section 1.4; and
- 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 72.94%, compared to 62.71% at the end of Q2.

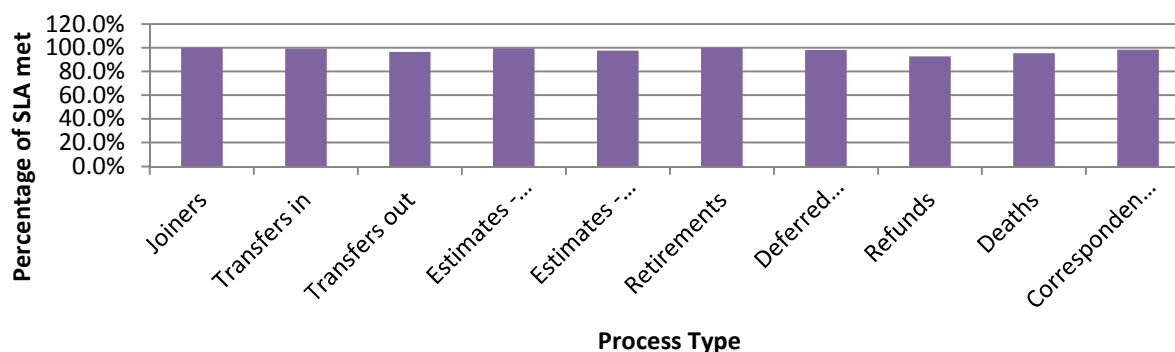


The level of performance has increased significantly against key processes during January and February as shown in the tables below:



Overall Top 10 case type performance 82.7%.

## Performance against SLA from 01.02.2018 to 28.02.2018



Overall Top 10 case type performance 98.4%.

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>SLA</b>	<b>01.01.2017 to 31.03.2017</b>	<b>01.04.2017 to 30.06.2017</b>	<b>01.07.2017 to 30.09.2017</b>	<b>01.10.2017 to 31.12.2017</b>
Joiners	6 work days	646	859	807	700
Transfers in	5 work days	439	287	428	781
Transfers out	5 work days	396	258	460	356
Estimates - member	5 work days	701	787	620	622
Estimates - employer	5 work days	155	200	97	114
Retirements	5 work days	869	927	791	784
Deferred benefits	20 work days	1,588	982	1,874	1979
Refunds	5 work days	436	500	495	346
Deaths	5 work days	177	167	170	373
Correspondence	5 work days	821	940	1,250	1,148
<b>Total Completed</b>		<b>6,228</b>	<b>5,907</b>	<b>6,992</b>	<b>7,203</b>

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 leavers at the end of school terms and 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-17	31 Feb 17	31-Mar-17	30-Apr-17	31-May-17
<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	1630	1591	1930	1403	1315	1015	776	548	252		
<b>Added</b>	870	561	957	129	530	431	394	327	304			
<b>Cleared</b>	357	600	618	656	618	731	633	555	600			
<b>C/F</b>	1630	1591	1930	1403	1315	1015	776	548	252			
<b>Outside of SLA*</b>	922	883	1222	695	607	513	375	0	0	0	0	0

\* This line shows that there are no deferred benefits out of date. They are either on hold awaiting further information or have not yet reached their action date.

**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 7,203 cases were completed and 3 new complaints were received against LPP's service.

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

**LPP Service Complaints:**

- A complaint has been received from a member with regard to the delays in processing of a transfer in. Further investigation in to the case has highlighted discrepancies in information supplied by the previous provider which. These were queried and revised information was provided which led the member to change her decision to not transfer in her previous pension to the Hertfordshire Pension Fund.
- A complaint was received regarding recovery of an overpayment and the distribution on an incorrect payslip. The pension payment had been recalled and the correct amount paid via an urgent same-day payment, however the payslip showing the original amount had already been distributed which was misleading to the member. The Payroll Manager issued a letter of apology detailing the amendments to the pension record and any possible tax adjustments.
- A complaint was received regarding delays in recalculating a pension. The error was due to a historical arrangement in what constitutes pensionable pay for two members of the pension scheme and was unknown by LPP. The case was expedited and revised information was securely emailed to the member with an apology,

**Administering Authority Complaints:**

- None



## **Administering Authority IDRPs:**

- A stage 2 appeal has been submitted against the Administering Authority regarding overpayment of pension due to re-employment. The member was previously awarded £500 compensation and part of the overpayment was deemed unrecoverable. However, the member is appealing that decision requiring him to repay some pension back to the Hertfordshire Pension Fund. Hertfordshire County Council have partially upheld the appeal and awarded a further £400 compensation.

### **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 6 instances of late payments being made by employers during the period October 2017 to December 2017 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 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.

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	21	26	11/08/17 14/08/17 14/11/17 08/01/18
Resolution Bodies	36	06/06/17	20/06/17	21	12	3	14/08/17 14/11/17 08/01/18
Academies	104	31/05/17 & 01/06/17	14/07/17	50	41	13	14/08/17 14/11/17 08/01/18
Scheduled Bodies	17	10/07/17	24/07/17	4	13	0	14/08/17 14/11/17 08/01/18
Totals	229			100	87	42	

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 87 surveys being returned and there are currently 42 surveys that remain outstanding.

## **2 GMP Reconciliation**

There are two outstanding pension revisions which are being reviewed with Hertfordshire County Council. Both 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.

A Project Initiation Document has been submitted for sign off to allow work to commence on the final phase of the reconciliation exercise. This will incorporate the analysis of the active membership, a refreshed analysis of the deferred and pensioner membership, the resolution of any new discrepancies identified and the resolution of the queries raised with HMRC in the previous phase of the reconciliation.

## **SECTION 3 LGPS REGULATIONS AND SCHEME CHANGES**

### **1 Department for Communities and Local Government renamed**

In January 2018, the Department of Communities and Local Government (DCLG) became the Ministry of Housing, Communities and Local Government (MHCLG). Following the cabinet reshuffle Rishi Sunak MP became the new parliament Under Secretary of State (Minister for Local Government) taking over from Marcus Jones.

### **2 Recent court ruling**

#### **High Court judgement in the case of Elmes v Essex**

This case concerns Nicola Elmes versus Essex County Council with an interested party of (MHCLG). This is a similar case to that decided upon in the Supreme Court on 8 February 2017 concerning Denise Brewster versus NILGOSC (Northern Ireland LGPS).

The case of Nicola Elmes versus Essex County Council was heard before the High Court on Tuesday 18 January 2018 and declared that:

*“The requirement to nominate a person under regulations 24 and 25 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 is incompatible with Article 1 of the first Protocol to, and Art 14 of, the European Convention on Human Rights and must therefore be disapplied”.*

It is our understanding that the outcome of this case effectively removes the requirement for a nomination form from regulations and enables an LGPS administering authority to pay a partner's pension, to the partner (who meets the definition of co-habiting partner set out in schedule 1 of the LGPS Regulations 2013) of a deceased member who died without completing a nomination form, and who left active membership on or after 1 April 2008 and prior to 1 April 2014.

The MHCLG are aware that all other public-sector pension schemes face the same issues on how to comply with this ruling within current regulations and are keen to work with colleagues within the Civil Service to ensure a consistent approach is taken. In the meantime, we are carrying out work to identify likely cases, which we expect to be minimal.

### **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 revised consultation on draft regulations governing the exit payment cap and exit payment recovery is due to take place. We would expect the consultation to be over a 12-week period, however, this has still not been released but we still believe it is the Government's intention.

### **3 Legislation**

#### **The Financial Guidance and Claims bill 2017-19**

The above legislation is working its way through the house covering defined contribution (DC) schemes, this will have an impact on the LGPS scheme in the following ways:

- Merge the Money advice Service, the Pensions Advisory Service (TPAS) and Pensions Wise into one body – as yet unnamed
- Gives the Government the power to ban cold calling in respect of pensions (we believe this would be enacted very soon after the bill is passed)
- Require the Government to set regulations to require confirmation that members have obtained guidance/advice- we see this will affect transfers of AVC's (which are treated as a DC scheme).

We have commenced work in devising a Risk warning disclaimer which we believe will cover this requirement.

### **4 Amendment regulations**

The LGA have also confirmed that they still expect amendment regulations in due course, however the DCLG have warned that only essential pension legislation will be placed in front of the house whilst Brexit is being debated. This has not changed in the last quarter.

### **5 Pensions Increase on GMP (Consultation outcome on indexation and equalisation of GMP in public service pension schemes)**

The government consulted on the indexation and equalisation of GMP between 28 November 2016 and 20 February 2017. This consultation was regarding how the government should continue to meet their obligations to index (price protect) and equalise (make equal payments to men and women) the pension entitlements of a certain group of public servants with an occupational pension known as a GMP.

This consultation received 62 responses, broadly in favour of the government's objectives in continuing to ensure the GMP continues to be indexed and equalised. Between 6 April 2016 and 5 December 2018 an "interim solution" has been implemented; this solution has been extended for a further two years and four months to cover members of public pension scheme with a GMP who reach state pension age on or after 6 December 2018 and before 6 April 2021. During this period, the government will investigate the possibility of an alternative long-term methodology, known as "conversion".