

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

Agenda Item  
No:

**4**

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

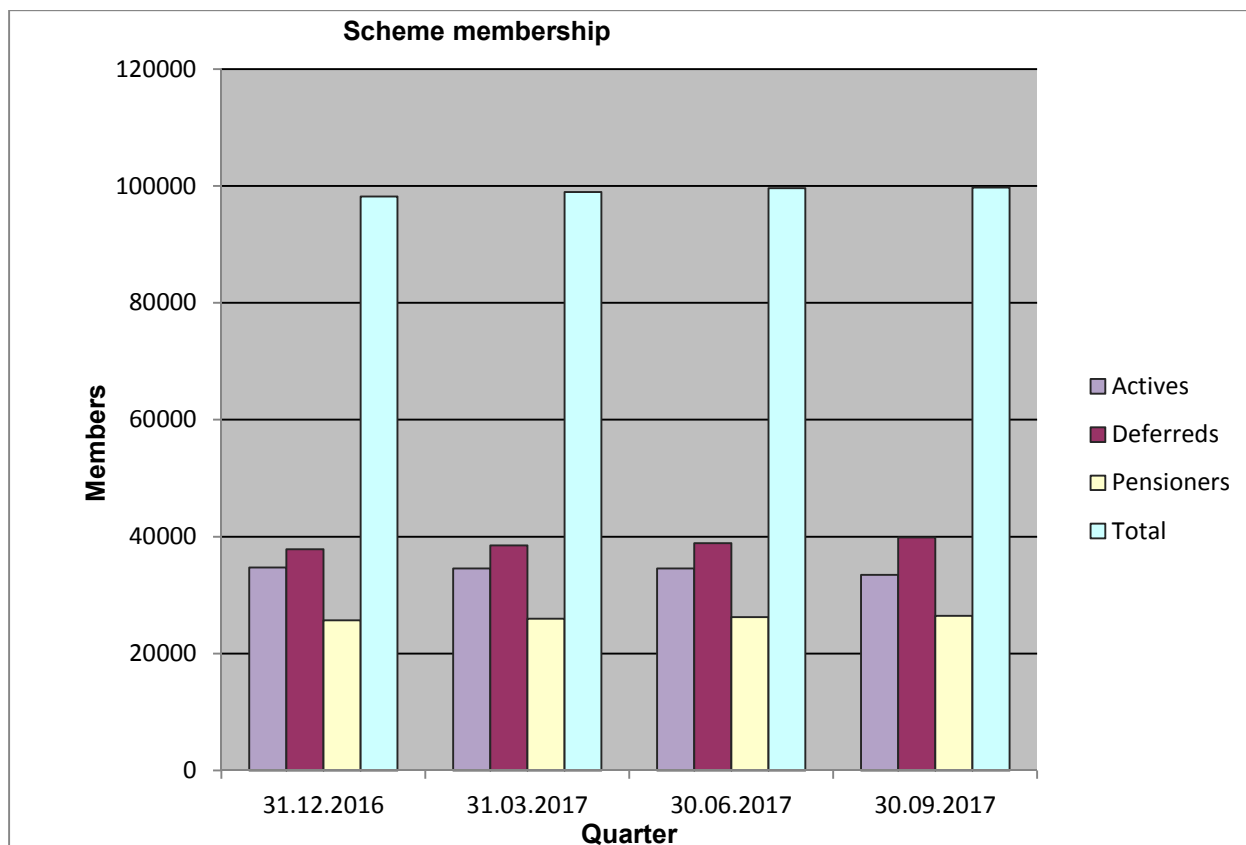
**Recommendations**

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 decreased by 1,068, deferred members have increased by 996 and, pensioners have increased by 189. Overall membership increased by 117. This reflects the increased processing of deferred benefit cases as the active membership has fallen the deferred membership has increased.



**Scheme Employers:** The total number of active scheme employers in the Pension Fund has increased by 10 in the last quarter. There are currently 275 active employers and a further 154 employers with deferred and pensioner liabilities.

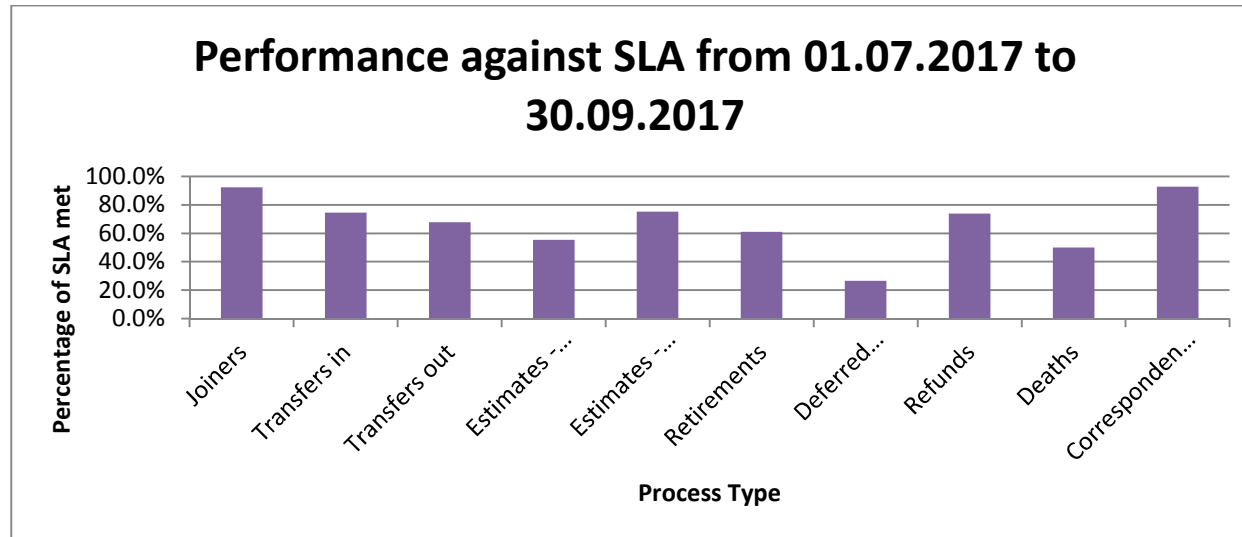
### 1.2 Performance Indicators

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 62.71%, compared to 87% at the end of Q1.



#### General Performance Issues

The level of performance has deteriorated against many key processes and steps have been taken to address this by moving work to Preston. There are a number of factors influencing this situation:

1. The impact of the summer leave period on a team with a limited number of experienced staff and the relative inexperience of a number of the fixed term contract staff who are unable to deal with the full range of tasks;
2. An influx of work as a result of the year end process identifying a significant number of unknown leavers and the need to review a significant number of death cases.

The first of these causes pressures in any year but has been exacerbated by the increased turnover of staff at Herts LPP. Moving elements of work to Preston allows a wider pool of experienced staff to be deployed to address cases and progress them to conclusion more quickly. This and a more rigorous prioritisation of work within the team has allowed progress to be made in addressing the issues. To ensure resilience all of our current fixed

term contractors have been offered contract extensions to 30<sup>th</sup> June 2018. This is to support the move to the new target operating model from 3<sup>rd</sup> April 2018 and provide an element of double staffing to offer resilience during this transition.

There has been a marked improvement to performance during November, the backlog of death cases has reduced significantly and we are working within contractual service level agreements and rectification periods on all other case types. The latest data on performance will be tabled for the Pension Board to review during the meeting.

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>01.10.2016 to 31.12.2016</b>	<b>01.01.2017 to 31.03.2017</b>	<b>01.04.2017 to 30.06.2017</b>	<b>01.07.2017 to 30.09.2017</b>
Joiners	743	646	859	807
Transfers in	425	439	287	428
Transfers out	238	396	258	460
Estimates - member	569	701	787	620
Estimates - employer	157	155	200	97
Retirements	966	869	927	791
Deferred benefits*	1390	1,588	982	1,874
Refunds	402	436	500	495
Deaths	206	288	167	170
Correspondence	1,038	821	940	1,250
<b>Total Key Processes Completed</b>	<b>6,134</b>	<b>6,222</b>	<b>5,907</b>	<b>6,992</b>

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

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	1139	605	667	371	0	128
<b>Added</b>	870	561	957	129**	530**	397***	66	662	304	193	728	88
<b>Cleared</b>	357	600	618	656	618	573***	600	600	600	600	600	216
<b>C/F</b>	1630	1591	1930	1403	1315	1139	605	667	371	0	128	0
<b>Outside of SLA*</b>	922	883	1222	695	607	552	18	80	0	0	0	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.

\*\*Reports for August and September leavers not received from Serco until October due to system updates.

\*\*\*November figures are taken at 23/11/2017 and do not reflect the entire month.

**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 6,992 cases were completed and 3 new complaints were received against LPP's service.

Complaints and Internal Dispute Resolution Procedures	Oct – Dec 2016				Jan – Mar 2017				Apr – Jun 2017				Jul – Sep 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	2	2	0	2	1	3	0	3	2	1	0	3	3	0	0
Administering Authority Complaints	0	1	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0
Administering Authority IDRPs	1	0	1	0	0	1	0	0	1	1	1	0	1	2	0	1	2
<b>Total</b>	<b>3</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>	<b>5</b>	<b>3</b>	<b>1</b>	<b>2</b>

#### LPP Service Complaints:

- A complaint was received from a pensioner regarding Hertfordshire Pension Fund's policy of only sending payslips in March, April and May of each year and when there is a change in payment of more than £5. LPP responded to the member explaining that payslips are sent on three consecutive months because pensions increase is applied in April. Information with regards to joining Member Self Service so that they can access pay history at any time.
- A complaint was received from a member regarding a delay in processing their deferred benefit into pay. The members address was incorrectly recorded on our system in 1999 and we have not received any returned post indicating that they member does not live at this address. The LPP did write to the member when the pension became payable but assumed that as we had not had a response they wanted to delay drawing it, which is not uncommon. The member subsequently wrote to us to enquire about her pension and we sent her an estimate with a personalised letter. The administrator who prepared the estimate also set up a separate retirement process and the member was sent the standard retirement letters, which upset her. A manager wrote to the member to apologise for the misunderstandings and the delay in processing her retirement and we paid her pension in accordance with her instructions.
- A complaint was received from a deferred member due to incorrect retirement estimates. The member's records were merged; however, this was not showing correctly on the pension's administration systems therefore the member had two quotes provided for the same period of service. An apology was sent to the member and the correct pension is now in payment.

#### Administering Authority Complaints:

- None

## **Administering Authority IDRs:**

- A stage 1 appeal has been received regarding the change in the late retirement factors introduced by Department for Communities and Local Government. The administering authority have dismissed the application given the fact that the changes are outside the fund's control and all was done within the possible timescales to communicate these changes to members.
- 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. LPP are assisting where required.

### **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 July 2017 to September 2017 out of approximately 1000 payments due. 5 of these resulted in a penalty charge 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 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	21	26	11/08/17, 14/08/17 & 14/11/17
Resolution Bodies	36	06/06/17	20/06/17	21	12	3	14/08/17 & 14/11/17
Academies	104	31/05/17 & 01/06/17	14/07/17	50	38	16	14/08/17 & 14/11/17
Scheduled Bodies	17	10/07/17	24/07/17	4	8	5	14/08/17 & 14/11/17
Totals	229			100	79	50	

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 79 surveys being returned and there are currently 50 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.

Work is underway to produce the project plan and the cost for 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.

Also, HMRC have announced in their November countdown bulletin that they no longer intend to issue statements to individuals with details of their contracted out history. This was expected to be dispatched in December 2018. The HMRC explanation is that in light of Personal Tax Accounts, the Pension tracing service and, eventually the pensions dashboard, this is no longer necessary.



## **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, 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 benefits, we are also waiting for further guidance from the Local Government Association (LGA) for a national approach to makes 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 the 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, however, we are not anticipating any significant impact on the LGPS.

### **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 even if released before Christmas which would suggest the earliest date that these regulations could take effect is April 2018.

### **3 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.

#### **4 Annual Allowance**

Any scheme member who had exceeded the £40,000 annual allowance (or the tapered annual allowance if earning more than £150,000), has been written to with details of any tax charge. This letter would have also included information on the scheme pays option if appropriate. In addition to this, LPP offered any member who received a letter the opportunity to have a meeting to discuss their individual circumstances.