

## Report of the Section 151 Officer

Local Pension Board – 14 December 2016

### PROCESSES AND PROCEDURES FOR SCHEME ADMINISTRATION AND RESOLVING ISSUES

Purpose:	The report to the Local Pension Board on the processes and procedures of the administration of the Scheme and resolving issues
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Access to Services Officer:	N/A

#### FOR INFORMATION

#### 1. Background

- 1.1 The LGPS is one of the largest public sector pension schemes in the UK and is administered locally through 90 local pension funds in England and Wales.
- 1.2 The LGPS meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008, and employees are automatically enrolled into local Pension Funds provided they have a contract for at least 3 months.
- 1.3 The City and County of Swansea Pension Fund is responsible for the administration of the LGPS for 42 different employers, comprising of scheduled bodies such as the City and County of Swansea, Neath Port Talbot CBC, Further Education Colleges and Community Councils and Admission Bodies such as NPT Homes, Celtic Community Leisure and Wales National Pool.
- 1.4 Membership of the Fund is comprised of active members, deferred members, pensioner members and survivor members. As at 31 March 2016, membership statistics totalled 40,440, continuing a year-on-year growth in membership of the Fund.
- 1.5 The Pensions Regulator issued Code of Practice no.14 "Governance and Administration of Public Service Pension Schemes in April 2015. It contains practical guidance and sets out the standards of conduct and practice expected of those who exercise functions in relation to the legal requirements for public service pension schemes.

1.6 In July 2016, the Local Pension Board adopted the main topic areas contained in Code of Practice no. 14 as its core workplace agenda. At that meeting it also requested that a report be provided on the local processes and procedures for two of the main topic areas, administration and resolving issues, at its next meeting.

## **2. Pension Administration in the City and County of Swansea Pension Fund**

2.1 The Administration Section of Code of Practice no.14 covers scheme record-keeping, maintaining contributions and providing information to members.

2.2 The majority of the Fund's administrative day-to-day work involves the upkeep of members' records in line with the LGPS Regulations 2013, the Transitional Regulations 2014 and Government Actuary Department (GAD) Guidance. A list of the transactional data undertaken to maintain member records is included at Appendix 1, with written processes and procedures in place for each transaction. In line with Code, the Fund reviews the administrative processes in place on a regular basis to ensure they remain effective and fit for purpose

2.3 Significantly, 52% of the Fund's active membership base is made up of members working part or variable time, often with more than one membership record which causes considerable increased resource demands on the Fund.

2.4 This, along with automatic enrolment and the continuing high profile of pensions, has resulted in high membership movements. In 2015/16 this affected 6206 records which represents approximately 15% of the Fund's membership compared to 3480 (10.29%) in 2012/13 before the advent of LGPS 2014 and automatic enrolment.

2.5 The Code of Practice, along with the Record Keeping regulations requires specific member data to be kept which fundamentally enables the Scheme manager to be able to pay the right benefits to the right person at the right time.

2.6 In order to meet these requirements, it is important that Scheme employers provide timely and accurate membership data to the Fund.

2.7 This is something that has not always been successfully achieved in the past and therefore, perhaps the most far-reaching IT enhancement, which has been implemented by the Fund in the last few years is i-Connect, which allows for the automation of transfer of member data from employers' payroll systems to the pensions administration system, Altair, on a monthly basis, thus reducing the need for manual inputting; reducing the workload of end-of-year reconciliation and ensuring the maintenance of a stable and accurate membership database which is automatically reconciled to an employer's database.

- 2.8 Currently, the data is automated for 91% of the Fund's membership and the Fund is working with the remaining employers to achieve 100% automation which includes the monthly updating of members' records thus holding member data in as real-time as possible and streamlining procedures for setting up new members and ensuring any changes to membership details are notified in a timely manner.
- 2.9 This, however, can only be achieved for current and future changes and historic amendments which have not been notified by employers remain undetected until either a member notifies the Fund of the error on their record or the member leaves or retires, when a full perusal of the member's record is undertaken to ensure an accurate calculation of the benefits accrued.
- 2.10 The Fund also implemented a self-service system (My Pension Online) in 2015, which allows Scheme members to view and make minor amendments to their records as well as calculate projections of pension benefits.
- 2.11 In addition, the Fund has operated an imaging system since 2009, which is integrated with the Altair, which allows members' information to be held on their record, ensuring that pension benefits can be properly administered over the lifetime of the member. All active member data is held electronically and all pensioners and deferred members from 2009.

### **3. Maintaining contributions**

- 3.1 The Treasury Management team monitor and reconcile the pension contributions received from employers each month and the amounts received are reconciled to Altair at year-end.
- 3.2 In addition Altair provides transactional data, which allows for the monitoring and reporting of the flow of funds into and out of the Scheme, which is reconciled with Treasury Management on a timely basis.

### **4. Providing information to members**

- 4.1 The City and County of Swansea Pension Fund's Communication Policy Statement sets out the Fund's policy for communicating with members, representatives of members, prospective members and employers.
- 4.2 It is recognised that communication with employers is key to ensure they understand their role and responsibilities to both their employees and the Pension Fund.

Employers are invited to attend two annual meetings at the Administering Authority, one to discuss the Fund's Annual Report and Accounts in December and one targeted at HR and payroll staff to provide legislative updates and general training matters in February. Bespoke training is also available upon request, as well as ad hoc regulatory and administrative updates. There is also a dedicated employers' area on the Fund's website.

4.3 The Fund has also implemented a Pension Administration Strategy to define the responsibilities in the administration of the Scheme. The Strategy sets out the level of performance expected from the Fund and its employers, as well as the consequence of not meeting statutory deadlines.

4.4 Whilst the Pension Section strives to communicate with members and prospective members as much as is required, the Disclosure Regulations set out the information which must be legally provided as follows:

- Basic information about the Scheme – the Fund must provide new and prospective members with basic information about the LGPS and the benefits it provides as soon as possible, but in any event within one month of receiving the member's details from their employer or within two months of the date they joined the Scheme.

At commencement, the member is provided with a Scheme Guide, a Death Grant Expression of Wish Form and an Employee's Statement which should be returned with the member's previous pension scheme history provided. The Fund is notified of new members via i-Connect or paper returns for 'non i-Connect' employers.

- Annual Benefit Statements – the Fund must issue a pension statement to its active and deferred members by no later than five months after the end of the scheme year to which it relates.

The Annual Benefit Statements are currently produced in paper format and are produced on an All- Wales basis, which allows significant savings in production, printing and postage. Approximately 28,000 statements were issued this year by the 31<sup>st</sup> August deadline.

- Material Changes to the Scheme – the Fund must inform members of any material changes to the Scheme ideally as soon as, or before the change takes place but in any event within three months of the change.

The Fund communicates the changes through newsletters, the website and roadshows and presentations.

- 4.5 The Fund also collaborates with the other Welsh Pension Funds to produce bilingual communication material thus achieving efficiency and savings.

## **5. Resolving Issues**

- 5.1 Where a member disagrees with a pension decision, made by either their employer or the Pension Fund, they are able request that the case be considered under the Internal Disputes Resolution Procedure (IDRP).

- 5.2 The IDRP provision is a two-stage process and is contained within the LGPS regulations, which set out the processes to be followed and require each Scheme employer and the Pension Fund to appoint adjudicators to hear any complaints made under IDRP.

- Stage 1 – the member should make their complaint, in writing to whoever made the decision against which they disagree (their employer or the Pension Fund). This must be done within 6 months of the issue arising. The adjudicator must examine the case, along with the scheme regulations and respond with their decision within 2 months of receiving the complaint or give reasons for a delay in replying.
- Stage 2 – If the member is not satisfied with the decision made at Stage 1, they have the right to ask for a re-consideration by the Administering Authority at Stage 2, provided they ask within 6 months of the Stage 1 decision. This request must also be made in writing and be accompanied by the Stage 1 decision and again the Stage 2 adjudicator has 2 months to make their decision.

- 5.3 It should be noted that a member can also go straight to Stage 2 if they haven't had a response within 3 months of submitting their Stage 1 complaint or have not received a decision within a month of the date they were told they would receive it.

- 5.5 If the member is still not satisfied with the decision made, they may refer the case to The Pension Advisory Service (TPAS) for assistance and ultimately to the Pensions Ombudsman, who may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. Pension schemes and members must normally accept the Ombudsman's decision unless it is overturned by a court.

A member must refer the case to the Ombudsman within 3 years of the event taking place or within 3 years of becoming aware of the problem.

- 5.4 An Administering Authority also has a right of appeal to the Secretary of State if they believe a Scheme employer has failed to carry out its statutory duties or it does not agree with the decision made.

**6. Equality and Engagement Implications**

N/A

**7. Legal Implications**

- 7.1 The legal implications are outlined in Code of Practice no.14.

**8. Financial Implications**

- 8.1 There are no financial implications.

**FOR INFORMATION**

**Background papers:** None

**Appendices:**

Appendix 1 – Transactional functions undertaken to maintain member records

## Appendix 1

### Transactional functions undertaken to maintain member records

- New Members set-up
- Transfers of pension rights
  - Into the LGPS
  - Out of the LGPS
  - Between to LGPS Funds (Interfunds)
  - TUPE transfers
  - Bulk transfers
- Aggregation of two (or more) member records
- Refund of contributions (where member has less than 2 years' membership)
- Estimates of Pension Benefits
  - Voluntary
  - Employer led – Ill Health, Flexible Retirement, Redundancy/Efficiency
- Retirements
- Death Benefits
  - Death Grants
  - Survivor Benefits
- Additional Contribution contracts
  - Additional Pension Contributions
  - Additional Voluntary Contributions
- Updating Records
  - Change of Address
  - Change of marital status
  - Change of hours
  - Change of death grant expression of wish nomination
- Pension sharing on divorce
- HMRC compliance
  - Annual Allowance
  - Lifetime Allowance
- Issuing Opt Out forms