

PENSION FUND COMMITTEE – 4 DECEMBER 2015

EMPLOYER MANAGEMENT

Report by the Chief Finance Officer

Introduction

1. This report is to update members on the key operational issues arising around individual employer members of the Fund, including the latest performance data. It also includes updates on applications for admission to the fund and details of any cessation issues.

Performance Data / Data Quality

2. The 2014 scheme design means that the scheme employers have greater responsibility for data both in determining the rates of pay and contributions and how these are used in line with regulatory requirements. At the same time the introduction of CARE meant that as a fund we were unable to check the data we receive to the same level as under previous regulations.
3. Since April 2014 scheme employers have been asked to provide a monthly administration return (MARS). The performance spreadsheet at Annex 1 to this report, details the number of missing and late returns, which overall has improved, but there are several scheme employers who are still having problems in making this monthly return.
4. Equally the provision of the end of year return – the first in the CARE scheme has caused issues for all scheme employers, mainly due to the regulatory requirement of providing two figures for final pay – one calculated in line with 2007 Regulations and one calculated in line with the 2013 Regulations. This has even affected the major scheme employer which has meant that the team has had to work individually with each employer to explain issues and resolve the queries.
5. In terms of the data shown on the spreadsheet, there are employers who are a continuing concern since they have not responded to queries. Others have flagged as a concern because of the non-provision of end of year data. We are in contact with these employers.
6. It should be noted that this work with scheme employers has become much more problematic with the fragmenting and restructuring of the larger scheme employers. As example Oxfordshire County Council no longer has a single contract to provide cleaning, or catering services to maintained schools. So, schools individually outsource services which mean a separate contract and therefore a separate admission agreement often for a period of one year.

7. Overall the increasing volume of employers within the fund is a concern to ensure that correct documentation, processes and data returns are in place. The impact of these changes has been demonstrated by the annual benefit statement task this year – see below:
8. Generally there has been much discussion about engaging with scheme employers to ensure that they provide the data required to all us to administer the scheme – this is covered as a separate agenda item.

Annual Benefit Statements

9. Members will be aware that Scheme Regulation 89 requires the fund to issue an annual benefit statement (ABS) to each of its active, deferred, pensioner and pension credit members no later than five months after the end of the scheme year to which it relates.
10. In addition The Pension Regulator (TPR) now has responsibility for all public sector pension schemes and therefore monitors scheme compliance with regulations.
11. Many funds contacted the Local Government Association (LGA) since they were concerned over their inability to meet the deadline, of 31st August for the issuing of all ABS, given the challenge of this being the first year of the CARE scheme. As a result the LGA surveyed all schemes and at this point we were able to confirm that we had issued as many deferred ABS as possible but it was likely that we would have only issued ABS to around 5% of the active membership by 31 August. Unfortunately due to other work pressures this was not achieved. As a result Oxfordshire County Council Pension Fund reported to TPR that there had been a material breach of law. This has been acknowledged and a further update has been requested.
12. In reporting any such breach the Scheme Manager has to set out a plan to address the issues leading to non-compliance. In the letter to the Pension Regulator this was confirmed as: -
 - Putting a notice and letter on the website to advise scheme members of the delay in issuing annual benefit statements
 - Confirming that the team were working with scheme employers to resolve queries
 - Escalating the non-return of end of year data with scheme employers
 - Escalating the non-response to any data queries with each scheme employer
13. The attached extract (at Annex 2) from LGA bulletin 136 gives more information and confirms that if funds have not issued statements by 30 November further submissions reporting any deviation from this date must be made to TPR. Therefore, no figures are included on the attached spreadsheet – members will be updated at the meeting of the number of ABS issued by 30 November 2015.

Benchmarking

14. As in previous years OCCPF has taken part in the CIPFA benchmarking of pension administration. The report compares and measures costs; workloads; staff related indicators; industry standard key performance indicators and methods of service delivery.
15. This year, for the first time since 2003, the total cost per member of the Oxfordshire County Council Pension Fund is higher than the group average of £19.17 coming in at £21.17. Staffing costs have generally been higher than the club average, this increase is mainly due to the higher spend on our pension software in introducing automated workflow; the immediate payment system and preparing for member self-service.

GMP

16. With the end of contracting out in April 2016, ahead of the introduction of the single state pension, HMRC will be sending all individuals a letter stating who will be responsible for paying their Guaranteed Minimum Pension (GMP).
17. All funds have an opportunity between now and March 2018, to reconcile the GMP values it holds for members against the values held by HMRC and to query any differences in those values.
18. The result of holding an incorrect GMP value is that the fund has under / over stated liabilities in respect of this element of pension and will be paying either too little, or too much to our current (and future) pensioner members.
19. That said there is no requirement for funds to undertake what is a significant and costly exercise to reconcile these figures. However, by choosing not to reconcile:-
 - The fund would have no idea as to how much the liabilities were under or over stated.
 - Post April 2018 there would be no opportunity to change a decision not to reconcile & so the fund would be forever responsible for liabilities which did not belong to them.
 - The fund would not meet the Pension Regulator's data requirement for record keeping
20. From the experience of funds that have already started this process it is a huge project requiring funds to:-
 - Determine approach including what tolerances will be applied to data reconciliation.
 - Decide how any under and over payments will be dealt with which may include taking necessary legal advice
 - Undertaking actual reconciliation
 - Correcting records / pensions in payment
 - Communications

21. The cost of reconciling member records has been quoted between £20 and £80 per record. There are many companies offering reconciliation services of varying degrees. In the first instance OCCPF needs to get data from HMRC to determine the extent to which our records differ from HRMC records. Once this has been received a further report will be submitted to this committee to ask for decisions on the points detailed above and there will be a clearer idea of whether the work can be carried out in house / impact on staffing levels or will need to be contracted out.

The Pensions Regulator - tPR

22. All of the above issues fall under one of the Pension Regulator' codes of practice for administration, which covers: -
- Scheme record keeping
 - Maintaining contributions
 - Providing information to members, and
 - Resolving issues.

A copy of the code can be accessed at <http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

23. Not only does the code set out the required standards, but also compliance and what to report when the fund has not met those standards as in the case of issuing annual benefit statements.

Write Offs

24. In June 2015, the Committee reviewed the scheme of financial delegation and agreed the following:
- Write off of outstanding debts to the Local Government Pension Scheme above £10,000 need the approval of the Pension Fund Committee.
 - The authorisation of debt write offs up to and including £10,000 is delegated to the Service Manager – Pensions, Insurance and Money Management. For debts between £7,500 and £10,000 authorisation is in conjunction with the Chief Finance Officer.
 - For Debts below £500, authorisation of debt write off is delegated to the Pension Services Manager
 - All debts below £10,000 need to be reported to Committee following write off. This report provides the details of those debts written off in the last quarter.

Current Cases

25. The Pension Services Manager has approved the write off of £97.33 chargeable to the pension fund in respect of nine cases, where the member has died.

Cumulative Data

26. In the period March 2015 to December 2015 a total of £177.94 has been written off, in respect of 21 cases where the member has died.

Update on Previous Applications for Admission

27. Admission Agreements, in respect of the School Lunch Company, have been finalised for:-

- Bishop Loveday School - sealed 02/10/2015
- Hook Norton Church of England Primary School - sealed 13/08/2015
- Brize Norton Primary School, Carterton –
- Queensway Primary School, Banbury - sealed 17/09/2015

28. Admission Agreements, in respect of Edwards & Ward, have been finalised for: -

- Benson CE Primary School, Benson - sealed 02/10/2015
- Bladon CE Primary School, Bladon (sealing request 27/10/2015)
- Orchard Fields Primary School (sealing request 05/11/2015)
- William Morris County Primary School - correct
- St Andrew's Church of England Primary School, Headington - sealed 02/10/2015
- Dementia Support Services

29. The Service Manager (PIMMS) has approved the following applications for admission in line with delegated powers from this committee. All of the admission agreements are on a pass through basis.

Contractor – The School Lunch Company

Name of School: North Hinksey Church of England Primary School

Number of Staff due to TUPE: 1LGPS

Start date of Contract: 01/09/2015

Length of Contract: 12 months rolling

Pension arrangement: Pass through

30. The Committee are asked to approve the following applications:

Contractor – The School Lunch Company

Name of School: Badgemore Community Primary School, Henley-on-Thames

Number of Staff due to TUPE: 1LGPS

Start date of Contract: 22/08/2015

Length of Contract: 12 months rolling

Pension arrangement: Pass through

Name of School: John Henry Newman Primary School (Academy), Littlemore
Number of Staff due to TUPE: 2 LGPS
Start date of Contract: 01/09/2015
Length of Contract: 12 months rolling
Pension arrangement: Pass through

Name of School: Standlake Primary School
Number of Staff due to TUPE: 1LGPS
Start date of Contract: 01/09/2015
Length of Contract: 12 months rolling
Pension arrangement: Pass through

Name of School: St Christopher's School (Academy), Langford
Number of Staff due to TUPE: 1LGPS
Start date of Contract: 27/07/2015
Length of Contract: 12 months rolling
Pension arrangement: Pass through

Name of School: St Kenelms School, Minster Lovell
Number of Staff due to TUPE: 1LGPS
Start date of Contract: 01/09/2015
Length of Contract: 12 months rolling
Pension arrangement: Pass through

Drayton Parish Council has made a resolution to enter the Deputy Clerk in to the Local Government Pension Scheme.

Closure Valuations

31. The legal agreement in the current case is being drafted.

RECOMMENDATIONS

32. **The Committee is RECOMMENDED to:**

- (a) note the performance of scheme employers in making required returns;**
- (b) note the number of annual benefit statements issued and to advise officers of any further actions they want taken to resolve non-return of data;**
- (c) note the benchmarking data;**
- (d) agree a write off of £97.33;**
- (e) note the previous applications for admission to the fund & those applications approved by Service Manager (PIMMS);**
- (f) agree admission of the School Lunch Company in respect of schools listed; and**
- (g) note the progress made in respect of closure valuation.**

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Background papers: None

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