

PENSION FUND COMMITTEE – 11 MARCH 2016

EMPLOYER MANAGEMENT

Report by the Chief Finance Officer

Introduction

1. This report sets out the latest position in respect of the employers within the Oxfordshire Fund. It includes a review of the Administration Strategy penalties to be imposed on employers for non-compliance with their responsibilities under the regulations. The report also includes new requests for admission to the Fund, an update on previously approved applications and the write off of any amounts due to the Fund.

Performance Data / Data Quality

2. The previous report to this Committee highlighted the issues for the fund and scheme employers in moving to a monthly data reporting system. While this is slowly improving, there is still a major task in Pension Services to clear the backlog and to make the whole process much more efficient.
3. The control spreadsheet with so many scheme employers and returns has become unwieldy and is currently being reviewed. Therefore rather than providing the committee with an annexe detailing all employer results this report highlights the main issues: -

Oxfordshire County Council – since transfer to the IBC, pension data is being provided in file format whilst the MARS returns are being developed. There have been various issues with the data provided. Revised data was received in mid-February. There are still some issues which IBC need to resolve and the Pension Services Data Team are liaising with IBC.

Oxford City – following the issue of the 2015 annual benefit statements the City advised Pension Service that incorrect data had been returned. As a result the City payroll team reviewed all returns and provided corrected figures and has asked for Pension Services to upload and re-issue annual benefit statements.

Activate Learning – there are a large number of outstanding queries alongside data issues. Pension Services has been working with the employer to resolve these and data is now being received.

Academy Schools – following the OCC move to the IBC payroll some 24 academy schools transferred their payrolls to other external providers with the majority moving to Kier. There has been a considerable amount of work to get data provided in the required format. This has now been received, but there is a backlog in processing this.

Transferee admission bodies – It has been found that some of the companies taking staff from scheduled employers (OCC in main) have not filtered information and details of employer responsibilities in relation to the administering of the LGPS through to payroll departments. Therefore there have been several cases where contributions have been incorrectly deducted. One example of this is The Camden Society where pension contributions were not deducted on the allowances paid resulting in a significant under deduction of contributions. The Camden Society has now paid over employee contributions but Pension Services are chasing payment of under deducted employer contributions.

Carillion also have long standing data queries to be resolved and Pension Services are working with the UK based payroll team to address these.

4. There is also a backlog of returns from new transferee admission bodies – this is primarily due to internal workloads and pressures within Pension Services.
5. To put this in to context, under The Pension Regulator Code of Practice the fund is required to hold accurate data and the above paragraphs show the considerable backlog the Pension Services team need to manage and clear, where possible, ahead of the 2016 valuation.
6. With the introduction of the 2014 LGPS the message out to scheme employers was that Pension Services would be unable to check the data received to the previous level of detail and this issue has become a balancing act which has yet to be resolved to allow Pension Services to be more efficient in processing returns.

Payment of Contributions

7. There are no specific issues with the payment of contributions. The Pension Investment Team is proactive in ensuring late contributions are followed up.

Annual Benefit Statements

8. Members will be aware that Pension Services has been discussing the late issue of the 2015 annual benefit statements with The Pension Regulator. An update of the number of statements issued was provided to the Regulator as at 29 February 2016
9. The latest position regarding the issue of ABS for active scheme members in the Oxfordshire Pension Fund will be reported at the meeting.

Administration Strategy

10. Given the issues identified above at the last meeting of this Committee, members asked for the Administration Strategy to be reviewed to increase charges for non-compliance of scheme employers in providing data.
11. One issue around this is ensuring that the team has a robust system for recording when information is received and quickly assessing the quality of that data. Team

managers are being asked to review their operational areas to make sure that any charges are consistently and fairly applied.

12. It has been difficult to find information about other fund's charging structures. Therefore, in the absence of any data, Officers have made suggestions below (which have also been incorporated into the revised Administration Strategy at Annex 1) and are seeking the Committee's view about the proposed increase to charges. Please note that a further two categories of charges have been added to the schedule:-
- Payments to the wrong bank account changed from a flat £50 to £75
 - Failure to provide monthly contribution return (MARS return) – introduce a sliding scale to reflect that increased workload is directly related to number of scheme members:
 - 1 to 50 Scheme Members - £100 plus £50 per chase
 - 51 to 500 Scheme Members - £500 plus £250 per chase
 - Over 500 Scheme Members - £1,000 plus £500 per chase.
 - Failing to provide End of Year returns – introduce sliding scale as again impact is directly related to number of scheme members
 - 1 to 50 Scheme Members - £100 per day late
 - 51 to 500 Scheme Members - £500 per day late
 - Over 500 Scheme Members - £1,000 per day late
 - Failure to provide any other information within 10 working days remains at charge of £50 per working day.

The newly introduced charges are:-

- Where interest is payable as a direct result of employer delays in supplying information – that interest will be recharged to the employer
 - Where work has to be re-done due to incorrect information supplied by the employer the charge will be £50 per case.
13. These new charges would be subject to a consultation exercise with employers. Final decision would therefore need to be made at the June meeting in light of consultation responses.
14. In light of the scale of the new charges, a facility for Officers to agree a reduction/waiver of fees would need to be introduced, with levels based on the Scheme of Financial Delegation levels for the write off of debt. Reductions/Waivers would be considered in light of the actual costs of the additional work required within Pension Services.

Assessment of Employer Covenant

14. Last year the fund actuaries presented an employer risk analysis report to this committee which assessed the financial strength of individual employers and the impact on the fund should the employer cease to exist within the fund.
15. As a result of this report, monitoring of incoming contribution payments and data has since been reported on a quarterly basis. Whilst these measures are a useful indicator of how a scheme employer is discharging their LGPS responsibilities these

are a fairly basic level of assessment which is useful operationally and to feed in to the information presented to this committee. Members are therefore asked to consider whether this is sufficient information or whether they wish this to be better developed. A guide from Barnett Waddingham is contained at Annex 2.

16. At a recently attended seminar there was an interesting session on the assessment of scheme employer covenants, a topic which has become much more high profile in recent months.
17. Attached to this report at Annex 3 are flyers from the London Pension Fund Authority and Aon Hewitt both of whom have developed systems to monitor employer covenants on an annual basis. There is also information from the fund actuaries about the services they can offer.

Write Offs

18. 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.

19. In the current period, the Pension Services Manager has approved the write off of £241.79 chargeable to the pension fund in respect of eleven cases where the member has died.
20. In the period June 2015 to March 2016 a total of £407.15 has been written off, in respect of 28 cases where the member has died.

Update on Previous Applications for Admission

21. Admission agreements have been sealed in respect of:
 - The School Lunch Company and Stonesfield Primary School
 - The School Lunch Company and St Nicholas' Church of England Primary School
 - The School Lunch Company and Standlake Church of England Primary School
 - Edwards and Ward and St Mary's Church of England (VC) Primary School
 - Greenwich Leisure Limited and South Oxfordshire District Council and Vale of White Horse District Council. Please note this needs to be amended.
 - The admission agreement between Age UK and Oxfordshire County Council is outstanding.

- The long outstanding admission agreement between Carillion and Oxfordshire County Council for the second transfer of staff has not yet been resolved despite reminders and meetings with Carillion.

New Applications

22. Kennington Parish Council has passed a resolution to allow the Parish Clerk to join the LGPS from April 2016.
23. William Fletcher School are outsourcing one person to Carillion on 1 April 2016. It is intended that this will be a pass through arrangement although final confirmation has not yet been received.
24. Optalis, which is a wholly owned subsidiary of Wokingham Borough Council has advised that they have taken on the Oxfordshire County Council contract for Nicholson House, which was previously outsourced to Leonard Cheshire Disability.
25. This transfer which took place on 15 February was a second generation transfer for nine staff originally employed by Oxfordshire County Council. From information subsequently received it appears that this was awarded under an Approved Provider List where the master agreement does contain an obligation to apply with Fair Deal. However, there is no pass through provision in this contract and so an actuarial assessment for contribution and bond rate needs to be undertaken.
26. Out of the above discussions it would appear that the contract awarded to Allied Healthcare is also due to be re-let under the Approved Provider List although, as yet, Pension Services has not received any information. This would affect four staff previously employed by Oxfordshire County Council.

Closure Valuations

27. The legal agreement in the current case has been finalised and in process of being signed and sealed.

RECOMMENDATIONS

28. 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) agree to consult on proposed changes to charges within the Pension Administration Strategy;**
- (d) confirm what approach they wish to be taken in assessment of employer covenants;**
- (e) agree write off of £241.79;**
- (f) note previous applications for admission to the fund & those applications approved by Service Manager (PIMMS);**
- (g) agree admission of the Carillion and Optalis in respect of contracts listed, and Note potential admission of another provider; and**
- (h) note progress made in respect of closure valuation.**

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Background papers:

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