

LOCAL PENSION BOARD – 9 OCTOBER 2015

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

MANAGING THE PENSION SECTION'S WORKLOAD

Purpose of the Report

1. The purpose of this report is to inform the Board of the current workload in the Pension Section and the measures in place to address it.

Background

2. The Pensions Section is responsible for the administration of Local Government Pension Scheme benefits of the Leicestershire Pension Fund's 83,000+ members. The Section also provides the Fire-fighters pension administration for Leicestershire, Derbyshire and Nottinghamshire Fire Authorities.

Pension administration has become more complex over the last few years and the reasons for this are listed below.

- Increased complexity of pension calculations since the introduction of the new Local Government Pension Scheme (LGPS) since April 2014, especially around benefits and aggregation (combining of benefits). This has caused benefit calculations to take longer.
- The first year career average revalued earnings (CARE) benefit statements have coincided with a reduced statutory deadline for the production of annual benefit statements. The deadline has moved from 30 September to 31 August, impacting on the employer year-end processes and the resource in the Pensions Section dealing with year-end.
- Changes to national legislation have introduced new or increased complexity to work areas; Freedom and Choice transfer out enquiries and reducing tax thresholds for the annual allowance. Freedom and Choice has produced many enquiries and requests for information from both active and deferred members as well as private pension schemes.

- Introduction of a new Fire-fighters pension scheme since April 2015.
- 2 large “one off” Fire-fighter pension exercises. Retained Fire-fighters being able to backdate membership and recalculations of retired Fire-fighters lump sums in the period December 2001 and August 2006.
- Because of the scheme changes there are a number of known system errors which are requiring manual calculations and greater scrutiny of the results by the Pension Section.
- Given budgetary pressures being placed upon employers, there is an ever increasing number of section reviews and restructures from many fund employers, requiring estimates for both capital costs and individual member benefits.
- Lowering of the minimum retirement age from 60 to 55 in the LGPS since April 2014 has resulted in a large number of enquiries from affected scheme members requesting estimates.
- An increasing number of scheme employers due to outsourcing by scheme employers under Transfer of Undertakings (Protection of Employment) Regulations (TUPE) and the transfer of schools to academies.
- Ever increasing outsourcing of payroll and HR provision from the increasing number of fund employers
- New governance legislation – New Local Pension Board
- National guaranteed minimum pension (GMP) reconciliation exercise
- Pensions Section calculating or checking pay for the two largest employers, the County and City Councils.

Plan of Action

3. To address these pressures the Pensions Section has introduced a number of changes to assist in the shorter term and also developed a longer term plan.

Short term

4. A review of the Pension Section structure has been completed and additional posts have been authorised. Following a successful recruitment exercise the additional colleagues will join the team in October.

5. The three Fire Authorities are providing additional income to resource an additional post on the Pensions Fire Team. Recruitment for this post is on-going.
6. Colleagues in the Pensions Section are able to work overtime to assist with the current work pressures and a previous colleague is helping with certain areas of work. Colleagues are also working more flexibly, at home, outside office hours and at weekends.
7. Workloads are being regularly monitored and available resource is being directed at specific areas. Targets have been set to reduce some of the peak workloads and output is being recorded.
8. The Pensions Section is also investigating the opportunity to work in partnership with A level school students who may be interested in working on certain more basic calculations. The intention would be for the students to work after school as required.
9. A training session for Fund employers at both Derbyshire and Leicestershire has been completed to assist employers with the calculation of pay, which in turn helps the pension teams as the data received from employers is better quality and avoids queries. The Pension Section has set a target to continue providing training to employers each month and also to continue internal training for colleagues when possible.
10. The Pension Section will introduce a charging mechanism for estimates. A scheme member can have a number of estimates each year but further requests will be charged. This may reduce the number of estimate requests received.

Long Term

11. As the number of scheme employers continues to increase (now over 200) along with the reduced statutory timescale for annual benefit statements, the Pension Manager is looking to implement a new way for employers to submit data to the Pension Section. The new system would be the "link" between the employer's payroll system and the Pension Sections administration system. It will provide a secure, consistent and validated way of transmitting data to the Pensions Section.
12. Currently data is submitted at year-end and any queries are resolved at this time. The plan is to move towards 12 monthly or 4 quarterly submission of data per year (depending on the size of the employer) so allowing any queries to be addressed more quickly, reducing the year-end "peak" thereby spreading the work over the full year. This will make the statutory deadline for annual benefit statements more achievable.

13. A soft market test is underway to see what companies offer for this new system and the costs for this. Companies are invited to demonstrate their system solution in mid-October and following the results, the next step will be to initiate a tender process for the procurement of a system solution.
14. The Pensions Section has been working closely with the Derbyshire Pension Section in a collaborative and partnership approach which has already brought benefits to both.
15. The Pension Section does not receive a huge amount of phone calls but those it does can normally be split into two categories. Firstly, scheme members phone regarding individual correspondence they have received from Pensions and in these cases they speak to the person dealing with their individual case which is an efficient way to deal with these. The second group are calls from scheme members enquiring about the on-line system and the log-in procedure. The Pensions Section will look at developing the new colleagues so they can assist with these calls. In addition, the Pensions Manager is working with the on-line system provider to try and simplify the log-in process to reduce calls generally.
16. For many years the Pensions Section has provided pay calculations for the County which is a duty of the employer (not the Pension Section). This has developed over years and was viewed as the correct solution to deal with all scheme leavers and estimates. The intention is that this gradually moves back to the employer but this creates a number of implications that need to be worked through; employer resource implications, knowledge and training of colleagues, adaption of forms and processes.
17. The Pension Section is contracted with its current administration system until 2017/2018. The greatest innovation is to implement an "end to end" pension administration system that incorporates the process for employers to submit data, the database for calculations and the output into a pensioner payroll system. The Pension Section will work with relevant Sections on developing a tender document for this requirement.

Recommendation

18. The Board is asked to note this report.

Equal Opportunities Implications

None specific

Background Papers

None

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