

**Report To:** GREATER MANCHESTER PENSION FUND LOCAL BOARD

**Date:** 19 January 2016

**Reporting Officer:** Peter Morris, Executive Director of Pensions

**Subject:** **NOTIFICATION TO THE PENSIONS REGULATOR REGARDING LATE DISPATCH OF ANNUAL BENEFIT STATEMENTS (ABSs)**

**Report Summary:** The report explains why there have been problems this year in providing ABSs and includes a copy of a letter sent to the Pensions Regulator explaining the late despatch of ABSs to a minority albeit substantial number of the Fund's members.

**Recommendations:** The Local Pension Board is asked to note the content of the report and the plans to improve performance next year.

**Policy Implications:** None.

**Financial Implications:  
(Authorised by the Borough Treasurer)** Penalties can be applied of up to £5,000 in the case of an individual, and £50,000 in the case of an organisation, if relevant legislation is breached.

**Legal Implications:  
(Authorised by the Solicitor to the Fund)** This is a very difficult time for many employers participating in the Fund because of budget constraints leading to service reductions in many areas. However there are statutory requirements that both employers and the administering authority must comply with. Material failure to deliver in line with the law can lead to a poor service being delivered to Fund members, financial penalties, Regulator intervention and significant reputational damage.

**Risk Management:** The Fund has in place internal control procedures that aim to minimise the number of breaches, albeit these are often dependent on the prompt receipt of timely and accurate data from employers. These procedures are subject to periodic review. All procedures may be subject to internal and external audit.

**ACCESS TO INFORMATION:** **NON-CONFIDENTIAL**

**This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**

**Background Papers:** The Pension Regulator's Code of Practice No 14, which may be found here:  
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

Further information can be obtained by contacting Ged Dale, Assistant Executive Director – Pensions Administration, on 0161 301 7227 or via email at [ged.dale@gmpf.org.uk](mailto:ged.dale@gmpf.org.uk)

## 1 INTRODUCTION AND BACKGROUND

- 1.1. At its meeting on 11 December 2015 the Pension Fund Management Panel received a report about the production of ABSs for active members and deferred members. In summary this advised that:
- (a) the LGPS Regulations 2013 require that ABSs be sent to active members and deferred members on 31 March, by 31 August;
  - (b) 89,976 ABSs for deferred members were sent in May;
  - (c) 4,395 ABSs for active members were sent in July (being a pilot run), followed by 69,277 in August. The statutory deadline for ABSs was met when complete, accurate and timely year-end returns (which contain the pay data required to calculate ABSs) were received from employers. Many were received late, leading to a further 29,870 ABSs being sent in November;
  - (d) many employers had difficulties in providing complete, accurate and timely year-end information for active members. This is because 2014/15 was the first year when both final salary and career average information was required. These difficulties applied nationally, with the Local Government Association (the LGA) writing to the Pensions Regulator (the Regulator) explaining the position, and the effect this was having on the production of ABSs, on behalf of all English and Welsh LGPS funds. The Regulator's response is attached as **Appendix 1**;
  - (e) where an ABS can reasonably be produced, it has been produced. There remain however several thousand cases where:
    - pay and contributions have been provided, but not the starting details of when new members joined the Fund;
    - members have changed employer during the year, with pay and contributions in respect of only one employer being received;
    - the year-end return provides leaving dates, but no other information has been received, not least the final pays that would allow deferred benefits to be calculated.
  - (f) all the missing data is being sought from employers, for the benefit of members, to prevent year-end problems repeating this year and to have complete and accurate information present for this year's actuarial valuation of the Fund. However, and as stated in the Regulator's letter, it remained to be considered whether the failures to provide all ABSs by 31 August were such that they should be reported to the Regulator. This consideration was to be made in conjunction with the Borough Solicitor / Solicitor to the Fund.
  - (g) regarding the 2015/16 year-end returns, a questionnaire has been sent to all employers to gauge what will help improve matters, such as more training and changes to the year-end specification. Where employers have had particular problems, or have many queries outstanding, direct contact has been / will be made.
- 1.2. The consideration described in paragraph (f) above recently concluded with an outcome of a letter being sent to the Regulator to report that that not all the ABSs that were required had yet been produced and setting out the mitigating circumstances and proposed actions to reduce the problem for next year. A copy of this letter is provided as **Appendix 2**. At the time of writing a reply has not yet been received.

## **2. COMMENT**

- 2.1 The inability to produce all the ABSs that were required is a breach of the law and results in disappointing service to members. Whilst disappointing and embarrassing, it was a national LGPS problem.
- 2.2 A great deal of work is taking place to try and ensure that for the 2015/16 year-end far more data is received from employers that is accurate, timely and complete. As well as enabling the production of ABSs by 31 August 2016, receiving accurate, timely and complete information from employers will be far more efficient and effective for both employers and the administering authority by reducing the amount of laborious manual intervention and re-work. It will also facilitate the timely and accurate completion of the 2016 actuarial valuation that determines employer contribution rates with effect from 1 April 2017.

## **3. RECOMMENDATION**

- 3.1 The Local Pension Board is asked to note the content of the report and provide any advice as appropriate.