

Report To: Pension Fund Management Panel/Advisory Panel

Date: 10 March 2017

Reporting Officer: Sandra Stewart, Executive Director of Pensions
Emma Mayall – Pensions Policy Manager

Subject : **PENSIONS ADMINISTRATION REVIEW & UPDATE**

Report Summary: This report provides a summary of key data and information relating to the administration of the Fund, including:

- Statistics on membership, employers and costs
- Communication activities
- Complaints, and
- Risk management

The report also highlights a number of areas where new regulations, legislation or guidance is expected and where this is likely to have an impact on Fund administration going forward.

Recommendation(s): That the Panel note the report.

**Financial Implications:
(Authorised by the Section 151
Officer)** The administration cost per member for 2015/16 was £15.26 per annum, as determined through the annual CIPFA benchmarking exercise completed early in the year. GMPF's costs and those of the average LGPS fund have remained reasonably stable over a number of years.

**Legal Implications:
(Authorised by the Solicitor to
the Fund)** There are no direct legal implications to consider.

Risk Management: There are no key risks to highlight.

ACCESS TO INFORMATION: **NON-CONFIDENTIAL**

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

Background Papers: For further information please contact Emma Mayall, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden, email: emma.mayall@gmpf.org.uk

1. BACKGROUND AND INTRODUCTION

- 1.1 Public sector pension schemes, including the LGPS, have undergone considerable change over recent years.
- 1.2 Changes to the benefits package, auto-enrolment and the introduction of academies are some of the changes that have had a direct impact on how the Fund administers pension benefits.
- 1.3 This report provides some key statistics on membership, employers and costs, and highlights the impact that some of those changes have had.
- 1.4 The role of the Pension Regulator has also become relevant to public sector pension schemes with the introduction of the Regulator's 'Code of Practice 14 – Governance and Administration of Public Service Pension Schemes'. This has led to the Fund making a number of changes so that it can demonstrate its compliance with the Code.
- 1.5 This report provides details on communication activities, complaints and risk management, all of which are covered by the Code.
- 1.6 Going forward, new regulations and legislation are likely to lead to further change. These anticipated changes and their likely impact on administration are therefore also highlighted in this report.

2. MEMBERSHIP STATISTICS

- 2.1 The charts in **Appendix 1** show the number of active, deferred and pensioner members in the Fund over recent years.
- 2.2 The impact of austerity, resulting in employers reducing their staffing levels, can be seen in the chart showing employee membership levels between 2009 and 2013. The impact of auto-enrolment can be seen, as numbers start to rise again in 2013. The effect of taking on of probation liabilities in 2014 and 2015 can be seen in all charts.
- 2.3 It is anticipated that the level of employee members' will decrease over time due to many employers having closed access to the LGPS to new employees. However, the downward trend may be partially offset in the short-term by increases in membership due to auto-enrolment.

3. EMPLOYER STATISTICS

- 3.1 The charts in **Appendix 2** show the number of employers with employee members contributing to the Fund over the last five years, broken down into admission bodies, academies and other scheme employers.
- 3.2 The impact of scheme employers outsourcing their services to other providers can be seen in the rise of the number of admission bodies over recent years. The effect of government policy relating to schools can be seen in the increase number of academies.
- 3.3 The Fund currently has 59 employer admission requests in progress at various stages of the process.

4. COST ANALYSIS

- 4.1 The administration cost per member for 2015/16 was £15.26 per annum, as determined through the annual CIPFA benchmarking exercise completed early in the year. The time analysis chart in **Appendix 3** shows GMPF's total cost since 2011. This illustrates that GMPF's costs and those of the average LGPS fund have remained reasonably stable over a number of years.

5. COMMUNICATION

- 5.1 The Fund issued over 91,000 annual pension forecast statements to deferred members between May and August and over 106,000 to employee members. Over 270 pensions saving statements were also issued to those needing details of their pension pots for annual allowance purposes.
- 5.2 Other communication tools, such as the members guide and website, continue to be produced and updated. The GMPF Helpline team deal with around 50,000 calls each year from scheme members, employers and others. Other methods of communication are being developed or explored to ensure information is readily available and accessible in a format that enables people to engage effectively with the Fund.

6. COMPLAINTS

- 6.1 It is a statutory requirement of the LGPS to have a formal internal dispute resolution procedure, referred to as IDR. The Scheme regulations determine much of the process. Stage 1 cases relate to disputes with the administering authority only.
- 6.2 During the period July 2015 to June 2016, 23 stage 1 appeals were received. 17 of these were rejected, 3 were resolved, 2 were upheld and 1 was still ongoing.
- 6.3 The main causes of concern for scheme members related to:
- death grant disputes
 - conflicting advice regarding benefits
 - transfer requests, and
 - AVC queries

7. RISK MANAGEMENT

- 7.1 Risk registers are in place for each of the key functions within GMPF and are reviewed regularly. The adequacy of internal controls is reviewed by the Internal Audit Service, who provides a comprehensive risk management and internal audit service to the Fund. The Fund also uses the Internal Audit Service to monitor employer performance.
- 7.2 Audits that are currently taking place or have been carried out recently relating to administration include those on pension payroll, the Altair pension system and employer admission agreements.

8. ANTICIPATED FUTURE CHANGES AND LIKELY IMPACT

- 8.1 It is expected that LGPS amendment regulations will be made in the coming months, introducing a number of changes.

- 8.2 The main one of these is around Fair Deal. Fair Deal is a non-statutory policy setting out how pension issues are to be dealt with when employees are compulsorily transferred from the public sector to independent providers delivering public services. This is likely to have an impact on the number of new admission body application requests received.
- 8.3 Government has also been reviewing post-16 education and training. As a result, a number of colleges are expected to either merge, be dissolved or convert to academy status. This will also have an impact on work relating to Fund employers.
- 8.4 The work of the Scheme Advisory Board and the Pensions Regulator are both likely to influence Scheme and Fund governance related tasks. Reviews on academies and employer covenants are likely to be progressed.
- 8.5 The results of consultation exercises on Guaranteed Minimum Pensions, public sector exit payments and pension scams are also likely to have an impact on Scheme administration going forward.

9. RECOMMENDATION

- 9.1 That the Panel note the report.