

Lancashire County Council

Pension Fund Administration Sub-Committee

Wednesday, 13th June, 2012 at 10.00 am in Cabinet Room 'B' - County Hall,
Preston

Supplementary Agenda

We are now able to enclose, for consideration at the next meeting of the Pension Fund Administration Sub-Committee on Wednesday, 13th June, 2012, the following information which was unavailable when the agenda was despatched.

Part 1 (Open to Press and Public)

No. Item

1. **Pension Fund Administration Sub-Committee Constitution: Chair and Deputy Chair; Membership; Terms of Reference** (Pages 1 - 4)
2. **Apologies**
3. **Disclosure of Personal and Prejudicial Interests**
Members are asked to consider any Personal/Prejudicial Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.
4. **Minutes of the Meeting held on 5 July 2011** (Pages 5 - 8)
To be confirmed, and signed by the chair.
5. **Your Pension Service - Annual Administration Report** (Pages 9 - 22)
6. **New Local Government Pension Scheme Proposals**
7. **Membership of the Local Government Pension Scheme and Auto-enrolment** (Pages 23 - 28)
8. **National Fraud Initiative Matches - Local Government Pension Scheme** (Pages 29 - 34)
9. **Urgent Business**

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

10. Date of Next Meeting

To be confirmed.

I M Fisher
County Secretary and Solicitor

County Hall
Preston

Agenda Item 1

Pension Fund Administration Sub-Committee

Meeting to be held on 13 June 2012

Electoral Division affected: All

Pension Fund Administration Sub-Committee

Constitution: Chair and Deputy Chair; Membership; Terms of Reference

(Appendix 'A' refers)

Contact for further information:

Chris Mather, 01772 533559, Office of the Chief Executive

Chris.mather@lancashire.gov.uk

Executive Summary and Recommendation

The Sub-Committee is asked to note:

- i. the appointment of County Councillor M Welsh and County Councillor G Roper as chair and deputy chair of the Sub-Committee for the 2012/13 municipal year.
- ii. the membership and terms of reference of the Sub-Committee.

Background and Advice

The County Council at its annual meeting on 24 May 2012 approved the constitution of the Sub-Committee on the basis of 3 Conservative members, 1 Labour member, 1 Liberal Democrat member, 1 trade union co-opted member and 1 co-opted member representing the Lancashire District Councils and Unitary Authorities. The following members and co-opted members were appointed by their respective political groups or bodies:

Lancashire County Council:

County Councillor M Brindle
County Councillor F De Molfetta
County Councillor G Roper
County Councillor M Welsh
County Councillor K Young

Co-opted members:

Councillor M Smith (Lancashire District Councils/Unitary Authorities)

Mr B Harvey (trade union representative)

The Full Council also appointed County Councillor M Welsh and County Councillor G Roper as chair and deputy chair of the Sub-Committee for the 2012/13 municipal year.

A copy of the Sub-Committee's terms of reference is attached at Appendix 'A'.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risk management implications arising from this item.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Directorate/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

Pension Fund Administration Sub-Committee

Composition and role

1. The role of the Pension Fund Administration Sub-Committee ("the Sub-Committee") is to ensure that best practice standards are satisfied and met and to satisfy itself that and justify to all stakeholders, including Fund Employers, that the Fund is being run on an efficient and effective basis.
2. The Sub-Committee shall meet at least twice a year or otherwise as necessary.
3. The membership of the Sub-Committee shall be determined by the Pension Fund Committee ("the Committee"). The current membership is five County Councillors, one Trade Union representative and one representative from either the Lancashire borough and city councils or the Lancashire Unitary Authorities. All members have voting rights.

Terms of Reference

1. To ensure that the Committee's functions as Administering Authority are discharged and approve an Annual Administration Report.
2. To agree the terms of a Service Level Agreement in relation to the provision of administration services and support.
3. To submit reports and make recommendations to the Committee relating to the administration of the Lancashire County Pension Fund.
4. To respond to any Government consultations relating to the administration and benefits of the Local Government Pension Scheme.
5. To approve the following:
 - a. Pensions Administration strategy statement;
 - b. Communication Policy statement;
 - c. Internal Dispute Resolution procedure;
 - d. Death Grant procedure;
 - e. Bulk Transfer Payment policy;
 - f. Commutation policy (small pensions);
 - g. Transfer policy; and
 - h. Abatement policy.

Agenda Item 4

Lancashire County Council

Pension Fund Administration Sub-Committee

Minutes of the Meeting held on Tuesday, 5th July, 2011 at 10.00 am in Cabinet Room 'B' - County Hall, Preston

Present:

County Councillor Michael Welsh (Chair)

County Councillors

M Brindle	G Roper
F De Molfetta	K Young

Co-opted members

B Harvey	(Trade Union representative)
M Smith	(Blackpool Council representative)

1. Apologies

None.

2. Disclosure of Personal and Prejudicial Interests

County Councillor M Brindle and Mr R Harvey declared personal non-prejudicial interests in the agenda as they were members of the Local Government Pension Scheme.

3. Minutes of the Meeting held on 15 June 2010

Resolved: That the Minutes of the meeting held on 15 June 2010 be confirmed and signed by the Chair.

4. Constitution

It was reported that the County Council at its annual meeting on 26 May 2011 had approved the constitution of the Sub-Committee on the basis of 3 Conservative members, 1 Labour member, 1 Liberal Democrat member, 1 trade union co-opted member and 1 co-opted member representing the Lancashire District Councils and Unitary Authorities. The membership of the Sub-Committee and its terms of reference were reported. It was also reported that the County Council had appointed County Councillors M Welsh and G Roper as Chair and Deputy Chair of the Sub-Committee for the remainder of the municipal year 2011/12.

Resolved:

- (i) That the appointment of County Councillors M Welsh and G Roper as chair and deputy chair of the Sub-Committee for the remainder of the 2011/12 municipal year be noted.
- (ii) That the membership and terms of reference of the Sub-Committee, as now reported, be noted.

5. Annual Administration Report

The Sub-Committee considered the 2010/11 Annual Administration Report. The Report described the performance of Lancashire Pensions Services (LPS) against the standards set out in the Service Level Agreement between LPS and the Pension Fund Committee. The Report also explained the activities and events undertaken by LPS during the year.

In particular, the Sub-Committee's attention was drawn to the following matters:

- 2010 had proved a challenging year. The main focus had been to support a number of Fund employers, in particular Lancashire County Council, through extensive voluntary redundancy programmes, to provide benefit estimates to agreed timescales as well as processing actual retirements on time
- Overall performance continued to be broadly in line with SLA targets and the Service continued to meet its key performance indicator 'to calculate and pay all retirement benefits within 10 working days'.
- The service was unable to meet its performance target to provide benefit estimates within 10 days of request. This was due to the unprecedented levels of requests following Lancashire County Council's Direct VR initiative when 3,089 estimates were processed between September 2010 and March 2011, a 32% increase in volume compared to the previous year.
- The Service aimed to ensure that resources were in place to meet current demand and that service levels would return to normal levels during 2011.
- The information contained within the Annual Administration Report related only to the Lancashire County Pension Fund. Similar reports would be prepared in respect of the Cumbria Pension Fund.
- The Service had been awarded 'Corporate Team of the Year' at Lancashire County Council's Pride Awards ceremony in July 2010. This prestigious corporate award recognised outstanding teamwork, as well as best practice and an enthusiasm for change.
- The Service changed its name to 'Your Pension Service' from February 2011 to better reflect the diversity of its clients and customers which now included Cumbria Pension Fund administration.

In welcoming the report, the Committee asked that its thanks and appreciation be extended to the Your Pension Service staff for the work undertaken during the past year.

Resolved:

- (i) That the 2010/11 Administration report, as now presented, be approved.
- (ii) That the Committee's thanks and appreciation be extended to the Your Pension Service staff for the work undertaken during 2010/11.

6. Report on Membership of LGPS

The Sub-Committee considered a report on the relatively low take up of the Local Government Pension Scheme (LGPS) by County Council employees.

An analysis of eligible employees within the County Council was carried out in May 2011. This revealed that 25% of employees eligible to join the LGPS were not in the scheme. This was consistent with a recent study undertaken by GMB which indicated that on average around one in four Council workers had opted out of the LGPS. The Sub-Committee noted that previous estimates had produced a much higher figure of around 40% of County Council employees not being members of the LGPS. This was due to the inclusion of casual employees as eligible members. However, following a regulatory change casual employees were longer eligible and these employees had therefore been removed from the figures.

An additional analysis of opt-out rates for County Council employees revealed an opt out rate of 36% of new starters during 2010/11. The profile of employees not joining/opting out, as identified in the analyses, was:

- Of 31,680 posts eligible to join the LGPS, 7,941 (25%) are not members of the Scheme;
- 83% of non members are female.
- 79% of non members work less than 30 hours per week
- 84% of non members earn less than £10 an hour
- 72% of non members take home less than £10,000 pa
- 53% of non members work in or around schools

A more detailed analysis was presented and the Sub-Committee felt that it would be helpful to have a male/female breakdown of the detailed results.

There was a general discussion on the results of the analyses and the possible options to encourage a greater take up of the LGPS by County Council employees. The current uncertainty around the future LGPS was also highlighted and members felt that given the circumstances it was not the right time to undertake a campaign to promote Scheme membership.

The Sub-Committee agreed that officers should be requested to establish focus groups to look at the LGPS and in particular the reasons for employees not taking up membership and to establish what might make the LGPS more attractive. It was felt that each focus group should be drawn from a particular category of employee i.e. those earning under or over £15,000pa or aged 30 and under. The results of the focus groups would help the Sub-Committee to give further

consideration to measures that could be undertaken to increase LGPS membership. The Sub-Committee would also need to have regard to any announcements regarding changes to the future operation of the LGPS.

A concern was expressed about misleading information that surrounded the future of the LGPS which was causing some anxiety and upset. It was felt that improved communications with employees were needed to allay fears and address any misconceptions. Officers were asked to consider the options for the provision of accurate and up to date information to employees possibly through the annual benefits statement. Officers felt that the timescale might be too tight but agreed to look at ways in which communications could be improved.

Resolved:

- (i) That employee focus groups be established to explore the reasons for the relatively low take up of the Local Government Pension Scheme.
- (ii) That officers be requested to consider measures to improve communications with employees about the future operation of and changes to the Local Government Pension Scheme.

7. Urgent Business

None.

8. Date of Next Meeting

Resolved: That arrangements be made for a meeting of the Sub-Committee to take place in October 2011.

I M Fisher
County Secretary and Solicitor

County Hall
Preston

Pension Fund Administration Sub-Committee
Meeting to be held on 13 June 2012

Electoral Division affected: All

Your Pension Service - Annual Administration Report
(Appendix 'A' refers)

Contact for further information:
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Diane.lister@lancashire.gov.uk

Executive Summary

This report sets out the Annual Administration Report as required under the terms of the Service Level Agreement between The Lancashire County Pension Fund and Your Pension Service.

Recommendation

The Sub-Committee is asked to approve the 2011/12 Administration Report as presented at Appendix 'A'.

Background and Advice

The Service Level Agreement (SLA) between the Lancashire County Pension Fund and Your Pension Service contains specific service level standards and corresponding service level targets. A report is attached at Appendix 'A' to inform the Sub-Committee of Your Pension Service's performance against the standards and targets set over the year.

2011 has been a year of change within Your Pension Service. By far the biggest development within the Service was the transfer of the Fund's pensioner payroll to our integrated pensions administration and payroll system, Altair. Although this change led to some upheaval in the short term, it has, however, resulted in significant savings that the Service has been able to pass on to its clients, including Lancashire County Pension Fund, via a reduction in fees.

Overall performance continues to be broadly in line with SLA targets and the Service continues to meet its key performance indicator; 'to calculate and pay all retirement benefits within 10 working days'. However, the service was unable to meet its targets in a number of areas. The greatest negative impact on performance was the move to the integrated administration and payroll system.

However, although this development has caused some disruption to service in the short term, the advantage of a reduction in duplication should result in the ability to improve performance in future years.

On a positive note, Your Pension Service was delighted to be re accredited with the Government's Customer Service Excellence award in June 2011. This Award reflects that customer service continues to be a priority for the Service.

The Pension Fund Administration Sub-Committee is required to ensure that the Pension Fund Committee's functions as Administering Authority are discharged and to approve an Annual Administration Report in line with the Sub-Committee's Terms of Reference. The Sub-Committee is asked to approve the 2011/12 Administration Report as set out at Appendix 'A'.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Directorate/Ext
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N/A

Reason for inclusion in Part II, if appropriate

N/A

your
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service

PENSION FUND ADMINISTRATION SUB COMMITTEE APPENDIX A

LANCASHIRE COUNTY PENSION FUND

Administration Report 2011/12



1. INTRODUCTION

a) Purpose

This annual administration report is produced in accordance with the Service Level Agreement (SLA) for the provision of pension administration services to Lancashire County Pension Fund. The report describes the performance of Your Pension Service against the standards set out in the SLA during the year.

The SLA exists between Your Pension Service and the Pension Fund Committee for the provision of a range of pension administration services and support. This agreement has been in place since 31 October 1997.

The report also explains the activities and events undertaken by Your Pension Service (YPS) over the reporting year.

b) Review of the Year

2011 has been a year of change within Your Pension Service. By far the biggest development within the Service was the transfer of the Fund's pensioner payroll to our integrated pensions administration and

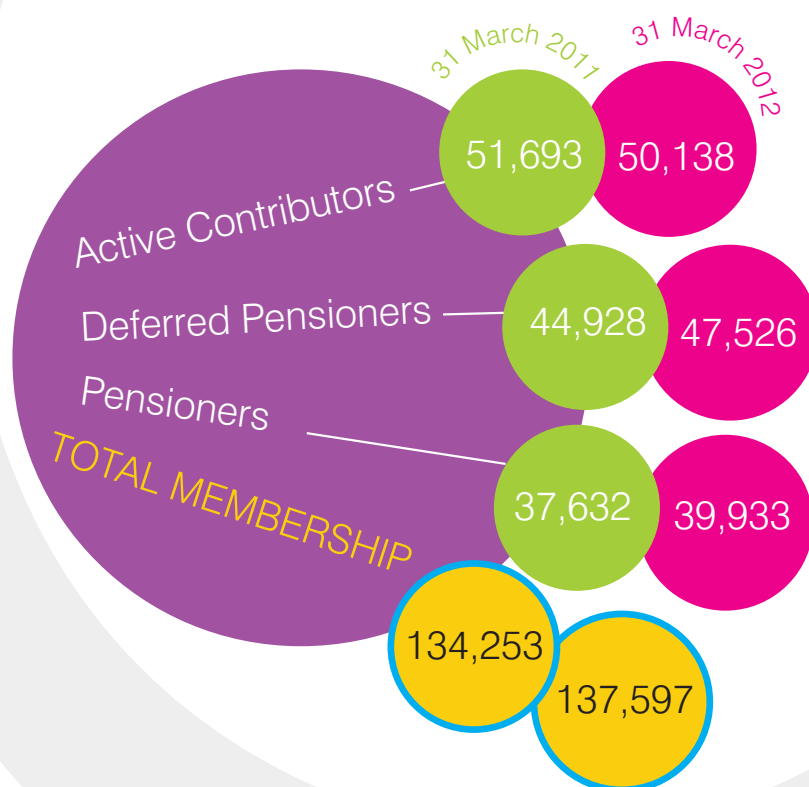
payroll system. Although this change has led to some upheaval in the short term, it has, however, resulted in significant savings that the Service has been able to pass on to its clients, including Lancashire County Pension Fund, via a reduction in fees.

Your Pension Service was delighted to be re accredited with the Government's Customer Service Excellence award in June 2011; reflecting that customer service continues to be a priority for the Service. The assessor commented on how the customers were especially appreciative of the responsiveness of YPS staff. Customer feedback was overwhelmingly positive with several favourable comparisons being made with other pension providers. This award confirms that customer focus continues to be a priority for YPS. A summary of customer feedback is shown at Appendix A.

2. PERFORMANCE

a) Membership

Membership of the Scheme increased by 2.5% over the year. This is reflected in the increase in deferred and pensioner members as local authorities and other public sector bodies continue to reduce their workforce and employees leave or retire.



b) Caseload & Performance

Performance continues to be broadly in line with SLA targets and the Service continues to meet its key performance indicator; 'to calculate and pay all retirement benefits within 10 working days'. However, the service was unable to meet its performance targets in a number of areas the most notable being estimates and transfers. Two events contributed to this negative performance;

- The number of retirements increased by 21% over the year and resource was reallocated to give priority to processing retirements. Performance in this area is now above target.
- The Government Actuary's Department advised Funds to cease processing transfers between November 2011 and February 2012 as new actuarial factors were awaited in respect of the discount rate to be used for cash equivalent transfer values. New factors were finally received on 23 February and performance in this area is now on target.

By far the greatest negative impact on performance was the move to the integrated administration and payroll system. However, although this development caused some disruption to service in the short term, the advantage of a reduction in duplication should result in the ability to improve performance in future years.

Caseload

Comparison of Caseload 2008 to 2011

	2008/09	2009/10	2010/11	2011/12
New Member set ups	8,448	7,186	6,286	3,542
Transfer in Quotes & Payments	2,098	2,338	3,192	1,206
Issue of Leaver Statements	6,745	5,567	5,903	4,369
Transfer out Quotes & Payments	1,455	1,545	1,904	1,088
General Correspondence	1,799	1,870	2,064	2,441
Member Changes	10,161	10,630	10,630	16,621
Estimate of Retirement Benefits	2,341	3,610	4,736	2853
Pensioner Changes	6,589	5,631	4,695	5,572
Calculation of Retirement Benefits	1,799	2,173	2,652	3,224
Calculation of Death/ dependant Benefits	1,720	1,712	2,268	2,291
TOTALS	43,155	42,262	44,330	43,207

SLA performance standards

Performance against SLA Targets 2008 - 2011

	TARGET	ACTUAL 2008/09	ACTUAL 2009/10	ACTUAL 2010/11	ACTUAL 2011/12
Payment of pensions on due date	100%	100%	100%	100%	100%
Production and distribution of annual P60s to pensioners by 31 May	100%	100%	100%	100%	100%
Implementation of annual cost of living pension increases on the due date	100%	100%	100%	100%	100%
Calculate and pay all retirement benefits within 10 working days of receipt of notification, or date of entitlement to benefit, whichever is later	90%	95%	96%	91%	90%
Respond to request for estimates of benefits within 10 working days following receipt of request	90%	96%	94%	84%	78%
Deal with transfers in/out of the Fund within 10 working days of receipt of documentation	90%	94%	93%	91%	76%
Implementation of pensioner and member changes by payment due date	90%	96%	98%	95%	91%
Respond to general correspondence within 10 working days	90%	92%	90%	90%	87%
Set up new starters to the Scheme within 10 days of receipt of notification	90%	98%	99%	99%	100%
Provide annual benefit statements to all active and deferred Scheme	100%	100%	100%	100%	100%

c) Annual Benefit Statements

Over the year YPS has distributed more than 97,000 benefit statements to scheme members in accordance with a rolling programme. Deferred members received statements during May 2011. Active members received their benefit statements towards the end of 2011

3. CUSTOMER SERVICE & EMPLOYER LIAISON

a) Customer Service Excellence

Customer service is at the heart of YPS and continues to be a priority. YPS was re accredited for the Customer Service Excellence award in June. The assessor commented on how the customers were especially appreciative of the responsiveness of YPS staff and customer feedback was overwhelmingly positive with several favourable comparisons being made with other pension providers. This award confirms that customer focus continues to be a priority for YPS. A summary of customer feedback is shown at Appendix A.

b) Front Office

The front office provides a helpdesk facility and is the first point of contact for both Scheme members and employers. This service is now part of the One Connect customer service centre.

Over the year 85% of calls were successfully answered. A dip in performance early in the year was addressed by providing additional resource and by bringing some administrative tasks back in house. The percentage of calls successfully answered has since been consistently above the service level target of 90%.

c) Training Courses for Scheme Members & Employers

During the year the following training courses and presentations were delivered as follows:-

- Scheme information was presented at 18 Pre retirement courses.

- A number of promotional events were attended at the request of the employer. Scheme information was available and the team delivered presentations and responded to general member enquiries relating to the membership of the pension scheme.
- At the request of employers 5 bespoke training events were delivered and a further 13 academy training visits were undertaken.
- Each year, following the issue of Annual benefit statements, a series of 'pension surgeries' are arranged at locations throughout the County. This year 14 events took place with over 650 members attending

d) Communication with Scheme Members

The regular annual newsletter for pensioners, 'Beacon' was sent in May 2011 along with P60's. 'Scheme Talk', the annual newsletter for active members, was sent with annual benefit statements towards the end of 2011

e) Annual Practitioner Conference

This year's employer conference was held at Woodlands on 23rd September 2011. The guest speaker on the day was from the Pensions Regulator who covered the topic of auto enrolment. The fund's AVC provider, Prudential, also attended to raise awareness of the changes to pension's tax relief. Over 80 delegates attended the day.

f) Directors Briefing

A briefing for Chief Finance Officers and Directors was held on 13 December 2011.

The actuary attended to discuss the interim actuarial review and the proposed employer covenant review. Over 50 delegates attended.

g) Scheme Promotion

A campaign to promote the Scheme to non-members is underway. The campaign is a joint initiative between Your Pension Service and

Lancashire County Council's Communications Team. Surveys have been sent out to more than 7,000 non members in order to gain a better understanding of the reasons for non membership and to help assess the potential for non members to join the Scheme. The next stage of this campaign will be to consider promotional messages to coincide with LCC's new auto-enrolment responsibilities.

5. LEGISLATIVE CHANGE

Public Sector Pensions Reform

In December 2011, the Chief Secretary to the Treasury, Danny Alexander MP, made a statement to the House of Commons on progress made in the negotiations with the Trades Unions in respect of the reform of public sector pension schemes.

The statement sets out that heads of agreement had been established with most unions in the local government, health, civil service and teacher's pension schemes. The statement was accompanied by a written ministerial statement from the Secretary of State for Communities and Local Government, Eric Pickles MP, specifically in respect of the Local Government Pension Scheme (LGPS), which stated that a 'heads of agreement' had been agreed between the main local government unions, the Local Government Association (LGA) and the Government regarding a way forward for the Local Government Pension Scheme. This agreement set out the principles which will govern scheme design, ongoing costs management and governance of the new scheme.

The agreed principles included: -

- The introduction of a new Scheme in April 2014 (with regulations in place by April 2013)
- The new scheme will be a Career Average Scheme;
- The ability to have limited or no contribution rate increases for employees in the LGPS provided that the Government's financial constraints are met;
- Some elements of choice to encourage new members to join and existing members to remain in the Scheme; and
- Normal Pension Age will match the rise in State Pension Age.

Representatives from the LGA and the TUC committed to agree and to cost a new scheme by April 2012. However, some questions have been raised by CLG in respect of the expected cost of the new scheme and this has led to a delay in the process and at the time of writing no formal agreement has been reached and the final 2014 Scheme design is yet to be announced. Whatever new Scheme is agreed, there is no doubt that its implementation will dictate the work of the Service over the coming years'.

A full brief of other legislative change affecting the Fund is set out at Appendix B.

6. APPEALS

Under the terms of the Local Government Pension Scheme appeals from members are dealt with under the Internal Dispute Resolution Procedure (IDRP) which applies to members of the LGPS whose position may be affected by decisions taken by their employer, former employer or LGPS administering authority.

The IDRP is a formal procedure for individuals to appeal about their treatment under the LGPS regulations. The arrangements in place allow for a 2 stage appeal process. Responsibility for determinations under the first stage of the procedure can rest with the employing authority or administering authority depending on the reason for appeal.

Responsibility for determinations under the second stage of the procedure rests solely with the Administering Authority and for Lancashire the Appeals officer position has been designated to the Deputy County Treasurer

During the year 15 stage 2 appeals were received. Two thirds of these cases related to disputes concerning the award of ill health benefits either because benefits had not been granted or a dispute concerning the level of ill health awarded.

Of the 15 cases received 4 have been dismissed, 5 have been upheld and 6 are currently on-going.

7. e-DEVELOPMENT

a) Altair integrated administration and payroll system

Lancashire County Pension Fund's Pensioner Payroll was transferred to Altair's integrated pension administration and payroll system from July 2011. The implementation of this integrated system will streamline the retirement process by reducing duplication. A further add on to this integrated system is 'immediate payments' which is a facility to make payments at source. This will remove the need to utilise LCC's Accounts Payable facility resulting in further efficiency savings through a reduction in internal charges for items such as lump sum payments.

pension records on-line, including payslips for pensioner members and benefit statements for active and deferred members. This development should result in savings in terms of printing and postage, although telling members about this facility will be key in the short term

b) Future Developments

The Service has agreed a project plan of future developments with its system provider, Heywood. The plan includes the introduction of Member Self Service. This development allows Scheme members to access their

The Service is also considering a new Heywood development which has been designed to enable the transfer of key information to the Fund from Employers HR/Payroll systems. This development is particularly helpful in terms of collecting new member and opt-out information in line with the new auto-enrolment requirements as well providing a facility to interface pay information to assist with the calculations required for any new career average scheme. This facility could be rolled out to all Fund Employers to provide one solution to replace the numerous interfaces currently used by Employers. This solution could save time and improve data quality.

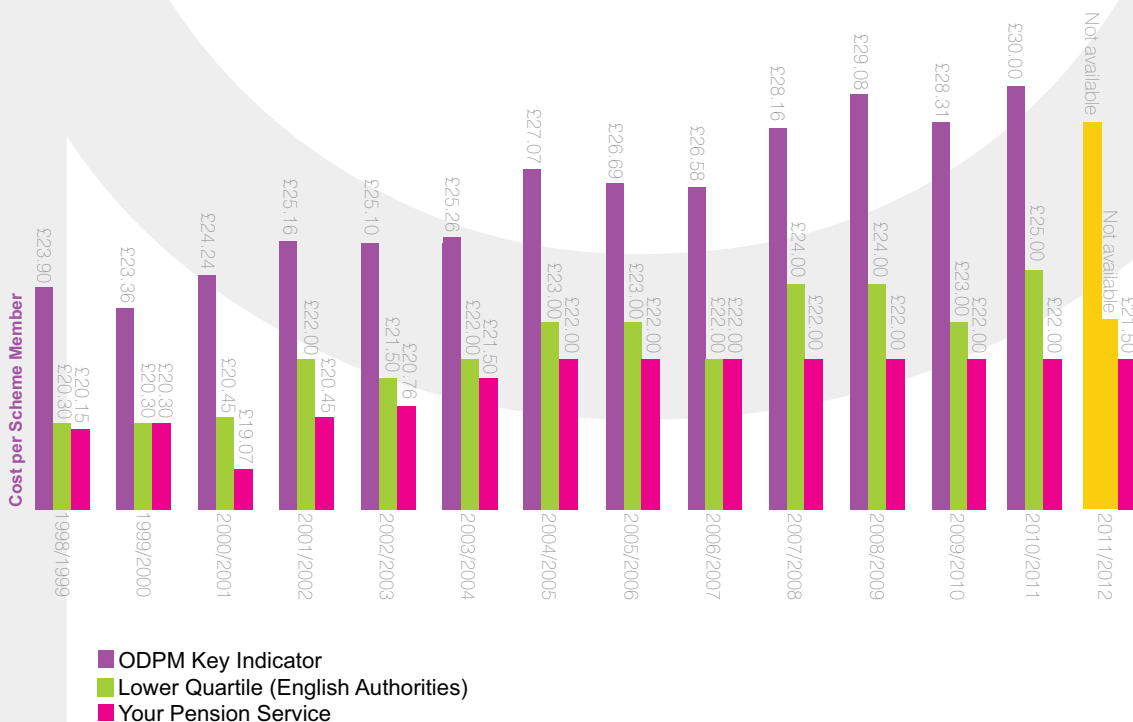
8. CHARGES

In line with the current SLA Your Pension Service charges an annual price per member and is committed to charging no more than the lower quartile price per member as produced by the Department of Local Government and Communities from their annual statistical survey of Local Government Pension Funds (SF3). This figure is £25 per member as shown in the latest published statistics for 2010/11.

However, as a consequence of continued efficiencies, particularly the savings realised by the integration of the administration and payroll systems, the charge to the Fund for Your Pension Service has been reduced to £21.50 per member.

The graph below reflects this charging policy and shows that YPS has consistently charged less than the lower quartile cost of Local Government Pension Funds.

However, it should be noted that the Service is about to enter into a period of intense change brought about by the planned LGPS reform and the introduction of auto-enrolment. Both of these seem likely to require additional resource if quality of service, which is central to the Fund's objectives, is to be maintained. Further reports will be made to the Committee as necessary once the actual implications become clearer.



APPENDIX A

Customer Feedback 2011

your
pension
service

"Prompt and Efficient service on receiving pension"

"Everyone has been very courteous and efficient, no complaints at all. Thank you"

"Forms are clear, Process is clear, Processing dealt with promptly and efficiently."

"I have recently retired and had several queries re my pension - I just wanted to say how helpful and polite every person I spoke to was."

"I would like to take this opportunity of thanking you very much for your processing of my benefit. What I thought would be an arduous process, turned out to be quick and efficient. Also you kept me well informed along the way."

"Phone calls always answered by a real person. Queries were always dealt with after the first call. Documents returned as promised. WELL DONE!"

"Your staff are always pleasant and very helpful - it takes the stress out of sorting problems/queries out. Thank you"

"Excellent service. Thank you"

"You appear to have pulled out all the stops to ensure I got my pension details as fast as possible. Thank you very much"

APPENDIX B

OTHER LEGISLATIVE CHANGE

Pensions Tax

In April 2011, changes to the annual allowance came into effect. The annual allowance is the amount each year that any person's pension benefits may increase without giving rise to a tax charge. The main changes are the following:

- the annual allowance has reduced from £255,000 to £50,000;
- members who exceed the annual allowance in any given year will be allowed to use any unused allowances from the previous 3 years; and
- introducing a facility entitled 'Scheme Pays', where a member may ask the pension scheme to pay any annual allowance tax charge on their behalf if such charge is over £2000, and, if so, will receive a reduction to their pension benefits.

Change to the discount rate

HM Treasury published revised guidance on the application of the discount rate to be adopted in calculating cash equivalent transfer values (CETVs), effective from 26 October 2011. The discount rate reflects the anticipated investment return over a period of time.

Calculation of CETVs form part of a number of different processes, such as transferring benefits in and out, purchasing additional pension, divorce calculations, to name a few. Consequently, a number of revised sets of guidance from the Government Actuary's Department (GAD) have been received and implemented.

Local Government (Discretionary Payment) (Injury Allowances) Regulations 2011

These regulations came into force from 16 January 2012. The main features are the following:

- a requirement for local government employers to publish a written policy statement (which must be kept under review) on whether they intend to adopt a discretionary injury benefit scheme;
- admission bodies have been removed from the definition of local government employers so the injury benefit provisions will not directly apply to them;
- the employer's independent registered medical practitioner will need to certify the employee's injury or disease before the employee can receive a permanent or temporary injury allowance;
- death benefit provisions now include payments to 'nominated co-habiting partners';
- appeals will no longer involve the Secretary of State but will be part of the internal dispute resolution procedure (IDRP); and
- The provision to award a gratuity has been revoked.

Auto-enrolment

Later in 2012, the Government will implement changes to workplace pensions, which will have an impact for all employers, including employers who participate in the LGPS.

The main change will require employers to automatically enrol certain members of their workforce into a pension scheme and make employer contributions.

These changes aim to encourage people to save more for their retirements as current pension savings levels have decreased against a backdrop of increased life expectancy and

an expected major increase in the percentage of the adult population over 65.

These changes will be phased in (largest employers first) over the next few years. Each employer will be given a date from which they must be compliant with the new laws, known as their 'staging date'. For Lancashire County Council the staging date has been confirmed as January 2013.

It is expected that changes will be required to the LGPS regulations in line with these reforms, specifically relating to the scheme's entry requirements.

Pension Fund Administration Sub-Committee

Meeting to be held on 13 June 2012

Electoral Division affected: None

New Local Government Pension Scheme Proposals

Contact for further information:

Diane Lister, 01772 534827, County Treasurer's Department

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Executive Summary

On 31 May 2012 the Local Government Association and trades unions announced the outcome of their negotiations on proposals for the new Local Government Pension Scheme (LGPS) to take effect from 1 April 2014.

These negotiations were intended to bring about a single solution to both short and long term cost issues affecting the LGPS by the early introduction of the new Scheme from April 2014 thus negating the need for Scheme changes prior to this date. The overall aim of all parties involved in these discussions is to ensure that the LGPS continues to be sustainable into the future by developing a set of proposals that are intended to be affordable for local authorities and council taxpayers whilst being fair to members.

These proposals will now form the basis of consultation with scheme members, employers, funds and other scheme interests. A statutory consultation is intended later in the autumn in order to implement these proposals.

The proposals for the new Scheme are the result of the '1st phase' of the LGPS 2014 project. The next phase of the project will encompass future cost management and scheme governance, including wider representation. Discussions between employers, unions and government will include agreeing a method for managing the future costs of the LGPS within certain limits. Further details will be released once these ongoing discussions are complete.

This report therefore focuses on the main features of the proposed new scheme design.

Recommendation

The Sub-Committee is asked to note the report. .

Background and Advice

On 31 May the Local Government Association and trade unions announced the outcome of their negotiations on the new Local Government Pension Scheme (LGPS) proposals, to take effect from 1 April 2014.

These proposals will now form the basis of consultation with scheme members, employers, funds and other scheme interests. A statutory consultation is intended to follow later in the autumn in order to implement these proposals.

The main provisions of the proposed LGPS 2014 are:

All pensions in payment or built up before April 2014 will be protected. Current and deferred pensioners are not affected by these changes. Current contributing scheme members pre-April 2014 benefits will still be based on their final salary at retirement and the current 'normal pension age' of 65.

The new scheme will be a Career Average Revalued Earnings (CARE) scheme. It will use the Consumer Price Index (CPI) as the revaluation factor (the current scheme is a final-salary scheme). In broad terms a scheme of this sort will provide equivalent or better pensions to the current scheme for members whose salary progression over a career is within a relatively narrow band, while those who see significant progression over a career would see a reduced level of benefit. Thus broadly the level of benefit for most LGPS members is to some degree protected within this scheme design while benefits for higher earners are reduced.

The accrual rate would be 1/49th (the current scheme is 1/60th).

There would be no normal scheme pension age. Instead each member's normal pension age would be their individual state pension age, with a minimum of 65 (the current scheme has a normal pension age of 65). This change is expected to generate the bulk of the cost savings required from the changes to the scheme.

Average member contributions to the scheme would be 6.5% (the same as in the current scheme) with the rate determined on actual pay (the current scheme determines part-time contribution rates on full-time equivalent pay).

While there would be no change to average member contributions, the lowest paid would pay the same or less and the highest paid would pay higher contributions on a more progressive scale after tax relief. However, there are some not insignificant increases in absolute employee contribution rates in the salary ranges for core professional groups.

Scheme members who have already or are considering opting out of the scheme could instead elect to pay half contributions for half the pension, while still retaining the full value of other benefits. This will be known as the 50/50 option (the current scheme has no such flexible option). This proposal is a direct response to the various representations made by scheme interests, including the Lancashire County Pension Fund that steps needed to be taken to address opt out and encourage an early start to pension saving for employees.

Where scheme members are outsourced they will be able to stay in the scheme on first and subsequent transfers (currently this is a choice for the new employer).

The vesting period* will be 2 years (current Scheme vesting period is 6 months).

In addition, to ensure that no member within 10 years of age 65 as at 1 April 2012 is worse off, there will be an 'underpin'. This means that those members who would see a change in their pension age in that period will get a pension at least equal to that which they would have received in the current scheme.

More information will follow as the consultations begin. It is recommended that the Sub-Committee note this report.

**the vesting period is the window of service when members do not have a 'vested right' in the Scheme and can receive a refund of contributions if they leave the Scheme instead of having a deferred pension in the Scheme until retirement.*

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified at this stage. More information will be provided when the consultations begin.

Local Government (Access to Information) Act 1985 List of Background Papers

N/A

Pension Fund Administration Sub-Committee

Meeting to be held on 13 June 2012

Electoral Division affected: All

Membership of the Local Government Pension Scheme and Auto-enrolment (Appendix 'A' refers)

Contact for further information:

Diane Lister, 01772 534827, County Treasurer's Department

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Executive Summary

At its meeting on 5 July 2011, the Sub-Committee considered a report on the relatively low take up of the Local Government Pension Scheme (LGPS) by County Council employees. An analysis of eligible employees within the County Council revealed that 25% of employees eligible to join the LGPS were not in the scheme.

The Sub-Committee considered the possible options to encourage a greater take up of the LGPS by County Council employees and, taking into account the uncertainty around the future of LGPS and the expected introduction of Government's new auto-enrolment requirements during 2012/13, the Sub-Committee agreed that officers should explore the reasons for the relatively low take up of the Scheme and consider measures to improve communications with employees about the future operation of and changes to the Local Government Pension Scheme.

This reports sets out progress to date and recommends that the Sub-Committee approves the Communications Strategy, as set out at Appendix A, to coincide with the County Councils staging date for auto-enrolment, of January 2013.

Recommendation

The Sub-Committee is asked to approve the Communications Strategy, as set out at Appendix 'A', to coincide with the County Councils staging date for auto-enrolment, of January 2013.

Background and Advice

Funding

The level of take up of membership of the Local Government Pension Scheme represents a significant issue for the Administering Authority, and the Fund as a whole, as the level of membership within the Fund has a significant impact on the

long term viability of the Fund. The greater the number of contributing members the longer the Fund is likely to remain cash flow positive.

Public Sector Pensions Reform

Take up of the Scheme also represents a significant issue for individuals who, without the benefit of saving for retirement, face the uncertainty of having to work for longer or not being able to support themselves or their families during old age or in the event of ill-health.

The uncertainty around the future benefit structure of the LGPS, and the perception that public sector pension provision is worsening, could serve to have a negative impact on Scheme membership and opt-out rates at a time when saving for retirement becomes more pertinent than ever as life expectancy increases and the population continues to age.

Auto-enrolment

Between 2012 and 2016, the Government will implement changes to workplace pensions. This will impact all employers, including the County Council. The main change will require employers to automatically enrol their workforce into a pension scheme and make employer contributions, albeit the employee will have the right to opt out of the pension scheme.

These changes aim to encourage people to save more for their retirement as current pension savings level decrease against a backdrop of increased life expectancy and an increase in the percentage of the adult population over 65.

These changes will be phased in (largest employers first) over the next few years. Each employer will be given a date from which they must be compliant with the new laws, known as their 'staging date'. For Lancashire County Council the staging date has been confirmed as January 2013.

Any existing employees who are not current scheme members but who have been, and continue to be eligible to join the scheme will be auto-enrolled. This would appear, therefore, to present an opportunity at this point to encourage staff to stay in the Scheme rather than exert their right to opt out.

Summary

Against this background, at their meeting of 5 July 2011, the Pensions Administration Sub-Committee considered a report on the relatively low take up of the Local Government Pension Scheme by County Council employees. An analysis of eligible employees within the County Council revealed that 25% of employees eligible to join the LGPS were not in the scheme.

The Sub-Committee considered the possible options to encourage a greater take up of the LGPS by County Council employees and, taking into account the uncertainty around the future LGPS and the expected introduction of Government's new auto-enrolment requirements during 2012/13, the Sub-Committee agreed that officers

should explore the reasons for the relatively low take up of the Scheme and consider measures to improve communications with employees about the future operation of and changes to the Local Government Pension Scheme.

Progress to date

A survey was sent to 8,000 employees on 1 May 2012. A 10% response rate revealed the following initial headline results: -

- **33%** of respondents said **can't afford it/don't earn enough** was the main reason for opting out of the Scheme;
- **17%** of respondents said **not working enough hours/being part time** was the main reason for opting out of the Scheme;
- **28%** of respondents said that **more money** would encourage them to opt in to the Scheme;
- **11%** of respondents said that **working more hours / being full time** would encourage them to opt in to the Scheme;

The full results of this survey will be used to determine the marketing, design and media of a 2012/13 internal communications campaign to coincide with the County Councils start date for auto-enrolment. A proposed Communications Strategy is set out in full at Appendix 'A'.

The exercise will be carried out by the Administering authority with the agreement of LCC as the employing authority and in particular with the support of LCC's Corporate Communications Service. The cost of the campaign can be met within existing budget constraints.

The Sub-Committee is asked to approve the Communications Strategy to coincide with the County Councils staging date for auto-enrolment, of January 2013.

Consultations

As set out in the report.

Implications:

This item has the following implications, as indicated:

Risk management

As set out in the report.

Local Government (Access to Information) Act 1985 List of Background Papers

N/A

**Pensions Communications Strategy
June 2012 to January 2013**

Aims

- To improve the perception of the pension scheme and promote the key benefits to Lancashire County Council Employees
- To prepare all staff for auto enrolment and communicate the new requirements

Objectives

- To increase the number of employees in the Lancashire County Pension Fund by 5%

Communications Activity

- To use the research results to understand what would encourage staff to be part of the pension scheme
- Devise an internal campaign targeting non members and selling the benefits of the scheme
- Co-ordinate drop in sessions to help prospective members understand more about the scheme and what their monthly payments would be
- Create literature to highlight the key benefits of the pension scheme. Create posters to communicate to staff
- Work with the Pension's team and HR & Payroll in respect of communicating auto enrolment and the new requirements and procedures.

Design

- Design of promotional marketing material to highlight the benefits of the pension scheme

Digital

- Create intranet pages explaining the auto enrolment process and the new requirements and procedures

Internal communications

- Use of Phil's Update, Team Talk, Staff notices and Commercial break to communicate to staff about benefits of pension scheme
- Use all internal communications channels to explain auto enrolment on start date of 1 January 2013 and how the process will work
- Guidance on alternative forms of communication as a tool to promote the benefits of the Scheme (facebook, twitter, smart phone app etc.)

Measurement

The success of the activity will be measured through 5% increase in new pension scheme membership.

Ginette Unsworth
Communications Account Director

Communications
Lancashire County Council
Preston
Lancashire

Pension Fund Administration Sub-Committee

Meeting to be held on 13 June 2012

Electoral Division affected: All

National Fraud Initiative Matches - Local Government Pension Scheme

(Appendix 'A' refers)

Contact for further information:

Diane Lister, 01772 534827, County Treasurer's Department

diane.lister@lancashire.gov.uk

Executive Summary

This report sets out the background to the Audit Commission's National Fraud Initiative, the most recent findings in respect of Lancashire County Pension Fund and progress on Your Pension Service investigations to date.

Recommendation

The Sub-Committee is asked to note the report.

Background & Advice

Background to NFI

Your Pension Service works closely with Internal Audit in order to investigate matches identified as part of the data matching exercise undertaken by the Audit Commission National Fraud Initiative (NFI). Work has been undertaken during 2011/12 to investigate matches identified as part of the 2010/11 data matching exercise.

As part of the county council's duty to protect public funds, the Audit Commission requires all local authorities to participate in the NFI. Previously this has been a two-yearly exercise that matches electronic data held by public sector organisations to highlight potentially fraudulent activity. In future, this exercise will be undertaken on an annual basis in order to ensure that any potential fraudulent activity is identified and action taken at the earliest opportunity. The Audit Commission also has plans to introduce a real time data matching service to the NFI in the future.

The NFI works within a strong legal framework, including the Data Protection Act 1998, which protects individual's personal data. The data matching exercises are carried out under statutory powers which contain important safeguards on the use and disclosure of data, including the requirement for a statutory Code of Data Matching Practice. The Code helps ensure that all those involved in the NFI exercises comply with the law, especially the provisions of the Data Protection Act.

The NFI's 2010/11 data matching exercise has already identified £139m of fraud, overpayments and errors in England.

Findings 2010/11- Lancashire County Pension Fund

There are a number of tests included in the data matching exercise that relate to Lancashire County Pension Fund and these identify pension claimants that may have died or may have additional employment affecting their pension. The full list of relevant tests is shown below and at Appendix 'A'. The 2010/11 NFI exercise identified 2,215 matches for the Fund.

- a) Pensions matched to Benefits Agency Deceased Persons (609 matches);
- b) Pensions matched to DDRI (Disclosure of Death Registration Information) Deceased Persons (308 matches);
- c) Deferred Pensions matched to Benefits Agency Deceased Persons (69 matches);
- d) Deferred Pensions matched to DDRI Deceased Persons (21 matches)
- (e) Pensions to LCC Payroll (762 matches) (To identify pensioners who may have gone back into employment that could result in an abatement of their pension).
- f) Pensions to Districts Payroll (446 matches).

Your Pension Service (YPS) has processed approximately 66% (2/3rds) of these matches to date and has identified overpayments to the value of £98,436 for 31 claimants. YPS is in the process of pursuing recovery of the identified overpayments with the aim of securing repayment schedules with claimants. It should be noted that in most cases there is a straightforward explanation for non disclosure and that the majority of cases are found to be genuine oversights rather than fraudulent cases. Currently only one of the 2,215 matches has been identified as potentially fraudulent with an overpayment outstanding of £19,718. Legal advice is currently being sought in respect of further action in respect of this case.

Future NFI – Real Time Data Matching

In June 2011 the Cabinet Office Counter Fraud Taskforce recommended that the NFI should be deployed more widely as a near real-time tool to enable data matching at the point of application between departments and central and local government.

As a result the Audit Commission launched real time data matching to sit alongside the established data matching work. Although there are many areas where NFI real time data matching will bring clear and significant benefits to fraud prevention, the NFI have 'phased' this release in order to focus on areas of greatest risk.

In September 2011 NFI launched Phase 1 of its real time data matching service designed to prevent fraud against financial institutions by identifying where an applicant has falsely declared they have a right to work in the UK.

The Commission is currently considering the Phase 2 extension of real time data matching and how best to use this powerful new tool in the future.

CLG has confirmed that the government intends to continue the NFI after the Audit Commission's abolition. The Commission will continue to run the NFI until its data matching powers are transferred to a new organisation. The Commission will work with the new owner of the NFI to ensure a smooth transfer of the function.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Your Pension Service works closely with Internal Audit in order to investigate matches identified as part of the data matching exercise undertaken by the Audit Commission National Fraud Initiative. The work highlights potentially fraudulent activity and enables action to be taken to pursue recovery of identified overpayments with the aim of securing repayment schedules with claimants.

Local Government (Access to Information) Act 1985 List of Background Papers

N/A

**NFI Matches 2010/11
Progress Report as at 31 May 2012**

	Match	Total Matches	Cases Processed	Cases in Progress	Cases Outstanding
(a)	Pension to DWP deceased	609	601	7	1
(b)	Pension to DDRI deceased	308	301	7*	0
(c)	Deferred to DWP deceased	69	62	6	1
(d)	Deferred to DDRI deceased	21	19	2	0
(e)	Pensions to Payroll	762	420	39	303
(f)	Pensions to Districts	446	1	0	445
	Totals	2,215	1,404	61	750

* 1 case has been identified as being potentially fraudulent

