

Lancashire County Council

Pension Fund Administration Sub-Committee

Thursday, 11 October, 2012 in Cabinet Room 'D', County Hall, Preston, at 9.00 am

Agenda

Part 1 (Open to Press and Public)

1. Apologies

2. Disclosure of Pecuniary and Non-Pecuniary Interests

Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.

3. Minutes of the Meeting held on 13 June 2012 (Pages 1 - 8)

To be confirmed, and signed by the chair.

4. Membership of Local Government Pension Scheme and Auto-enrolment (Pages 9 - 16)

5. Report on Member Self Service (Pages 17 - 18)

6. 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.

7. Date of Next Meeting

To be confirmed.

I M Fisher
County Secretary and Solicitor

County Hall
Preston

Agenda Item 3

Lancashire County Council

Pension Fund Administration Sub-Committee

Minutes of the Meeting held on Wednesday, 13th June, 2012 at 10.00 am in Cabinet Room 'B' - County Hall, Preston

Present:

County Councillor Michael Welsh (Chair)

County Councillors

M Brindle K Young
F De Molfetta

Co-opted members

Bob Harvey, (Trade Union representative)
Councillor Mark Smith, (Blackpool Council representative)

1. Pension Fund Administration Sub-Committee Constitution: Chair and Deputy Chair; Membership; Terms of Reference

It was reported that the County Council at its annual meeting on 24 May 2012 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 2012/13.

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 2012/13 municipal year be noted.
- (ii) That the membership and terms of reference of the Sub-Committee, as now reported, be noted.

2. Apologies

Apologies for absence were received from County Councillor G Roper.

3. 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.

4. Minutes of the Meeting held on 5 July 2011

Resolved: That the Minutes of the Meeting held on 5 July 2011 be confirmed and signed by the Chair.

5. Your Pension Service - Annual Administration Report

The Sub-Committee considered the 2011/12 Annual Administration Report. The report described the performance of Your Pensions Service (YPS) against the standards and targets set out in the Service Level Agreement between YPS and the Pension Fund Committee. The report also explained the activities and events undertaken by YPS during the year.

In considering the report, the following points were made:

- Membership of the Scheme had increased by over 2.5%. This was reflected in the increase in deferred and pensioner members as local authorities and other public sector bodies continued to reduce their workforce and employees left or retired.
- There had been a considerable reduction in the number of New Member set ups and Transfer in Quotes and Payments. Again this reflected the position in Local Government across the country.
- The greatest negative impact on performance was the move to the integrated pensions administration and payroll system. Whilst this development had caused some disruption in the short term, it would streamline the retirement process by reducing duplication. The new integrated system would also enable payments to be made at source without the need to use the County Council's Accounts payable facility which would result in further efficiency savings.
- Other factors which had affected performance and targets being missed included a government instruction to not process transfers for 3 months, whilst various actuarial calculation factors were reviewed and the need to move resources to deal with the considerable increase in the number of retirements.
- The number of requests for benefit estimates had been considerably higher than expected.
- There were no plans to change any of the set targets.
- The need for an interim management resource to specifically target improved performance, allowing other staff to concentrate on development areas had been recognised and agreed.
- Staffing levels would need to be balanced against the introduction of new systems and the effects of future legislative changes to the Local Government Pension Scheme.

- YPS had agreed a project plan of future developments with its system provider, Heywood. The plan included the introduction of Member Self Service that would enable Scheme members to access their pension records on-line, including payslips for pensioner members and benefit statements for active and deferred members. This would be a significant development and involve considerable work to ensure data integrity.
- YPS was also considering a new development to enable the transfer of key information to the Fund from Employers HR/Payroll systems as a result of the introduction of auto-enrolment.
- YPS had been reaccredited for the Customer Service Excellent award.
- The One Connect customer service centre was responsible for providing a pensions helpdesk facility and was the first point of contact for Scheme members and employers. A dip in performance had been addressed by providing additional resources i.e. 5 additional FTE staff and 3 temporary staff, and by bringing some administrative tasks i.e. post, scanning back in house. This action had resulted in the number of calls successfully answered rising from 85% to 93%.
- It was agreed that future reports should set out the number and category of calls made to the customer service centre each week. The report should also identify the number of calls that had been successfully answered or referred on by the customer service centre. More detailed information around customer satisfaction should also be provided.
- The continued efficiencies and in particular the savings realised by the integration of the pensions administration and payroll systems had resulted in the YPS charge to the Fund being reduced to £21.50. However, it was noted that YPS was about to enter into a period of intense change brought about by the planned LGPS reform and the introduction of auto-enrolment. It was likely that additional resources would be needed if the quality of service was to be maintained. The aim would be to keep charges within the lower quartile cost of Local Government Pension Funds. Further reports would be presented to the Pension Fund Committee once the position became clearer.
- The annual employer 'practitioner' conference would be held in September 2012. The opportunity would be taken to raise awareness of the issues and proposed developments as set out in the Annual Report. It was agreed that all members of the Pension Fund Committee would be invited to attend the conference.

Resolved: That the 2011/12 Annual Administration Report, as now presented, be approved.

6. New Local Government Pension Scheme Proposals

The Sub-Committee considered a report on the proposals for the new Local Government Pension Scheme (LGPS) as announced by the Local Government Association and trades unions on 31 May 2012.

The main provisions of the proposed LGPS were:

- All pensions in payment or built up before April 2014 would be protected. Current contributing scheme members pre-April 2014 benefits would still be based on their final salary at retirement and the current 'normal pension age' of 65.
- The new scheme would be a Career Average Revalued Earnings (CARE) scheme. It would use the Consumer Price Index (CPI) as the revaluation factor (the current scheme was a final-salary scheme).
- The accrual rate would be 1/49th (the current scheme was 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 had a normal pension age of 65).
- Average member contributions to the scheme would be 6.5% (the same as the current scheme) with the rate determined on actual pay (the current scheme determined 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.
- Scheme members who had already or were 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 would be known as the 50/50 option (the current scheme had no such flexible option).

The proposals would form the basis of consultation with scheme members, funds and other scheme interests later in the autumn with a view to the new scheme coming into effect on 1 April 2014.

The Sub-Committee was informed that the likely impact of the proposed LGPS 2014 was being discussed with the Fund's Actuary. A further report would be presented to the Sub-Committee to enable a response to the consultation to be submitted on behalf of the Lancashire County Pension Fund.

Resolved: That the report be noted.

7. Membership of the Local Government Pension Scheme and Auto-enrolment

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. It was agreed that officers should explore the reasons why 25% of eligible employees were not in the Scheme and consider measures to improve communications with employees about the future operation of and changes to the LGPS.

The Sub-Committee received a progress report which set out the results of a survey sent to 8,000 County Council employees who were not in the LGPS. Members were informed that the survey had resulted in a 10% response rate and revealed the following 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;

A proposed Communications Strategy to encourage a greater take up of the LGPS by County Council employees was presented. It was noted that the government required the County Council to automatically enrol its workforce in the LGPS with effect from January 2013 and it would be appropriate to launch the internal communications campaign to coincide with the auto-enrolment date.

Members acknowledged that the level of take up of the LGPS had a significant impact on the long term viability of the Fund. It was recognised that the greater the number of contributing members the longer the Fund was likely to remain cash flow positive.

The Sub-Committee welcomed the proposed Communications Strategy and agreed that it would be key to preparing staff for auto enrolment, to improving the perception of the LGPS and to promoting the on-going (ill health cover, life assurance) and long term benefits of the LGPS to employees of the County Council and other employers within the Scheme.

Members agreed that the communications activity needed to be clear, concise and provide employees with as many tangible examples of the benefits of the LGPS as possible. With this in mind, it was agreed that a further detailed report on the development and proposed roll out of the Communications Strategy should be presented to the Sub-Committee in Autumn.

It was also felt that consideration should be given to widening the membership of the Sub-Committee to enable other (non-County Council) employer representatives on the main Committee to be involved in taking forward the development and roll out of the Communications Strategy.

Resolved:

- (i) That the Communications Strategy, as now presented, be approved to coincide with the County Council's auto enrolment date of January 2013.

- (ii) That a further detailed report on the development and proposed roll out of the Communications Strategy be presented to the Sub-Committee in Autumn and before the end of November.
- (iii) That the Pension Fund Committee be asked to consider expanding the membership of the Sub-Committee to include all other employer representatives who currently serve on the Committee.

8. National Fraud Initiative Matches - Local Government Pension Scheme

The Sub-Committee considered a report on 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.

Your Pension Service worked closely with Internal Audit in order to investigate matches identified as part of the data matching exercise undertaken by the Audit Commissions National Fraud Initiative (NFI). The 2010/11 NFI exercise had identified 2,215 matches for the Fund. Of these 66% had been processed and overpayments to the value of £98,436 had been identified for 31 claimants. It was noted that in most cases there was a straightforward explanation for non disclosure and that the majority of cases were found to be genuine oversights rather than fraudulent cases. Only one of the 2,215 matches had been identified as potentially fraudulent with an overpayment of £19,718. Legal advice was being sought in respect of that case.

Members were informed that the Audit Commission had, in September 2011, launched Phase 1 of its real time data matching service to prevent fraud against financial institutions by identifying where an applicant had falsely declared they had a right to work in the UK. The Phase 2 extension of the real time data matching was currently being considered.

The launch of real time data matching was welcomed by Your Pension Service as it would bring clear and significant benefits to fraud prevention. Data would be matched at the point of application across all tiers of central and local government and this would enable fraud to be detected much earlier.

It was suggested that there should be a policy to recover overpayments where no actual fraud had occurred.

Resolved: That the report be noted.

9. Urgent Business

None.

10. Date of Next Meeting

The next meeting of the Sub-Committee would be confirmed by the County Secretary and Solicitor in due course.

I M Fisher
County Secretary and Solicitor

County Hall
Preston

Pension Fund Administration Sub-Committee

Meeting to be held on 11 October 2012

Electoral Division affected: <u>None</u>

Membership of Local Government Pension Scheme and Auto-enrolment (Appendices A and B refer)

Contact for further information:

Diane Lister, 01772 534827, County Treasurers Dept.

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Executive Summary

At its meeting on 13 June 2012 the Sub-Committee approved a Communications Strategy to encourage a greater take up of the LGPS by County Council employees to coincide with the Council's auto enrolment staging date of 1 January 2013. It was resolved that a further detailed report on the development and proposed roll out of the Strategy be presented to the Sub-Committee in Autumn 2012. This report therefore sets out the details of the communications action plan as well as the timescales for the roll out of the Communications Strategy.

Recommendation

That the Sub-Committee note the details of the action plan and the timescales for the roll out of the Communications Strategy as previously approved.

Background and Advice

A Communications Strategy to encourage a greater take up of the LGPS by County Council employees was approved at the Pension Fund Administration Sub-Committee meeting on 13 June 2012. The Sub-Committee noted that the government required the County Council to automatically enrol its workforce in the LGPS with effect from January 2013 and that it would be appropriate to launch this internal communications campaign to coincide with the Council's auto-enrolment date.

Members agreed that the communications activity needed to be clear, concise and provide employees with as many tangible examples of the benefits of the LGPS as possible. With this in mind, it was agreed that a further detailed report on the development and proposed roll out of the Communications Strategy should be presented to the Sub-Committee in Autumn.

A detailed communications action plan and a timetable for roll out of this communication campaign have been developed and are set out at Appendices A and B respectively.

The action plan includes:

- A poster and leaflet campaign
- Regular features in Phil's Updates
- A staff notice campaign, including Live Q & A's
- Letters to staff
- Financial planning sessions & surgeries.
- Website developments
- Launch of self service function

The roll out of the campaign is expected to begin week commencing 29 October with a feature in Phil's update and will continue through to February 2013.

The success of the campaign will be measured by the number of new starters and subsequent opt outs between 1 January 2013 and 31 March 2013. A report will be presented to Sub-Committee during Spring 2013.

All campaign materials will be made available to other Fund employers as the auto enrolment process begins to affect them i.e. at the point that individual employer staging dates are confirmed by the Pensions Regulator.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The exercise will be carried out by the Administering authority with the agreement of LCC as 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.

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

Action Plan for Pensions 2012 – Appendix A

Objective	Channel	Audience	Activity	Lead	Date	Status
GENERAL PENSIONS PROMOTION						
To increase the number of LCC employees in the Lancashire County Pension Fund by 5% To achieve an opt out rate of less than 50%	Website: • Your Pension Service • LCC intranet	All Staff	• Create an easy to use pensions calculator	KW/JW	29 October	Ongoing and on target
			• Show comparison data with sample private sector pensions/state pensions.	KW/JW	29 October	Ongoing and on target
			• Create Timeline explaining the changes to pensions that will come into effect April 2014. <ul style="list-style-type: none"> ○ Oct/Nov 2012 - launch member self service ○ Jan 2013 - launch auto enrolment ○ April 2014 – New LGPS 2014 	KW	April 2014	Ongoing
			• Sign up function to newsletter/text alerts	KW	29 October	Considering if possible – not yet known
			• Explore possible use of smart apps	DL	18/19 September	Explored with Heywood. Seen as future development. Not available at

						this point.
LAUNCH MEMBER SELF SERVICE:						
	<ul style="list-style-type: none"> All internal channels 	All Staff	Function allows access to pension records and enables users to forecast retirement benefits <ul style="list-style-type: none"> Use internal channels to promote function Use current Scheme newsletter 	DL/JW	<ul style="list-style-type: none"> Agree wording early October Go Live Oct/Nov 	Awaiting go live date from Heywood and OCL
AUTO ENROLMENT						
	Letters	All staff	Agree wording for letters to go out from Chief Exec. <ul style="list-style-type: none"> Include financial planning session information Include where to go to get more info - websites 	DL/JW/ KW	<ul style="list-style-type: none"> Agree wording 26 September Letter to go out to staff post 29 October 2012 	Ongoing and on target
	Website: <ul style="list-style-type: none"> Your Pensions Service LCC intranet 	All Staff	<ul style="list-style-type: none"> Background to scheme (national) FAQ's – include how to opt out and option for financial session before choosing to opt out. (opt out info can only go on Pensions service website – with links to it on LCC site) Link to all benefits of the scheme 	KW	<ul style="list-style-type: none"> Agree wording by 29 October Info to go live on website – same time as letter goes out to staff 	Ongoing and on target
	Pensions/financial planning surgeries <ul style="list-style-type: none"> Leaflet invites to non members 	All Staff	Set up surgeries for non member staff to book places on and get help with working out their pension and also other financial advice <ul style="list-style-type: none"> Enlist staff and financial advisors (money advise service) Include teachers pension scheme staff in these sessions where appropriate (i.e. schools) Promote through internal channels (use click delegate to book places). Use non member data to specifically target those not in the scheme – Leaflet directly inviting to a FP session Agree design for Leaflet 	KW working with JW to organise dates/locations/advisors	1 November through to 28 Feb 2013	Ongoing and on target

			Do a second round of this post auto enrolment (dependant on take up and feedback) • 'Before you opt out – come for a financial planning session'			
	<ul style="list-style-type: none"> Phil's email Phil Q and A Commercial break Staff notices 	All Staff	Regular feature scheduled into Phil's emails – explaining auto enrolment.	KW working with JW on content	See separate schedule of internal messages	Need to agree wording and timeline of information to go out in each edition ASAP
	<ul style="list-style-type: none"> Poster Campaign Pull ups (for use at FP sessions) FP session invites 	All Staff	Poster design: <ul style="list-style-type: none"> Aim of posters - to explain auto enrolment using the national I'm In campaign theme to – call to action directing to websites for more information Poster distribution – data needed on those who will be auto enrolled to best target distribution. 	KW	Design work started July 2012 To 'go live' as letter goes out to staff post 29 Oct 2012	Design work ongoing. Link to national I'm In campaign. Awaiting project meeting 26 September

Schedule of auto enrolment messages

Internal communication channels

Pensions Service 2012/2013

Date	Channel	Details
29 th October	Phil's email	Giving short background to auto enrolment and telling people that they will be receiving a letter.
Wk commencing 29th October	Letter to all staff	<ul style="list-style-type: none"> • Key messages • Links for more information • Financial planning sessions info • Date for Q& A
End of Oct	Team Talk	Key messages
Oct/Nov/Dec	Care Services Newsletter Primary school newsletter Secondary school newsletter Travel care newsletter	Key messages
Wk commencing 5 th November	Staff notice	Reminder about Q&A date and key messages
9 th November	Q and A session	Live Q& A – Phil Halsall and Diane Lister?
End of November	Team Talk	Key messages
10 th December	Phil's email	Short - reminder
12 th December	Staff notice	Reminder
10 th December	Commercial Break	Key messages and where to go for more information
24 th December	Phil's email	Short reminder
1st January 2013 Auto enrolment launched		
7 th January	Phil's email	Reminder re auto enrolment – links to more information and financial sessions (dependant on feedback)
Wk commencing 7 th January	Q and A session	Live Q and A – Phil Halsall and Diane Lister?
4 th February	Phil's email	Reminder (dependant on feedback)
2 nd week in Feb	Commercial Break	Key Messages (dependant on feedback)

Pension Fund Administration Sub Committee

Meeting to be held on 11 October 2012

Electoral Division affected: <u>None</u>

Report on Member Self Service

Contact for further information:

Diane Lister, 01772 534827, County Treasurer's, Your Pension Service,
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Executive Summary

Member Self service (MSS) is a significant system development which allows pension scheme members (including pensioners) online access to their data through a secure website. This development is due to be implemented and communicated during November 2012.

Recommendation

That the Sub Committee note the implementation of Member Self Service.

Background and Advice

Member Self service (MSS) is a significant system development which allows scheme members (including pensioners) online access to their data through a secure website. MSS will enable members to: -

- Perform pension forecasts
- Check and amend contact/address details
- Check pension scheme membership and accuracy of records
- View nominations and download forms to amend / complete
- View Annual Benefit Statements online
- View payslip & P60 details online (pensioners only)
- Change bank account details (pensioners only)
- View and download Scheme documents, guides, factsheets, leaflets etc.

This development is due to go live at the end of November to coincide with the issue of annual benefit statements for current active members of Lancashire County Pension Fund. Members will be informed by newsletter that their statements are available online (paper statements will be available on request). The newsletter will contain a guide to registration. Pensioners and deferred members will be informed of this development under separate cover.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Future savings are expected as a result of this development as paper mail reduces and more documents (including annual newsletters) are made available online.

Risk management

Significant and robust testing of this system has been undertaken by Heywood, the Service's software supplier, and by ICT/OCL to ensure that this function can be accessed securely online.

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

N/A