

Lancashire County Council

Pension Fund Administration Sub-Committee

Tuesday, 5th July, 2011 at 10.00 am in Cabinet Room 'B' - County Hall, Preston

Agenda

Part 1 (Open to Press and Public)

No. Item

1. Apologies

2. 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.

3. Minutes of the Meeting held on 15 June 2010 (Pages 1 - 4)

To be confirmed, and signed by the chair.

4. Constitution (Pages 5 - 8)

5. Annual Administration Report (Pages 9 - 22)

6. Report on Membership of LGPS (Pages 23 - 28)

7. 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.

8. 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 Tuesday 15 June 2010

Present:

County Councillor M Welsh (Chair)

County Councillors:

T Aldridge *

M Brindle

*County Councillor T Aldridge replaced County Councillor F De Molfetta for this meeting.

Co-opted Members:

Mr B Harvey

Trade Union representative

Apologies

Apologies for absence were received from Councillor G Bell, District Council/Unitary Authority representative.

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

It was reported that the County Council at its annual meeting on 20 May 2010 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 2010/11.

1. 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 2010/11 municipal year be noted.
- (ii) That the membership and terms of reference of the Sub-Committee, as now reported, be noted.

Disclosure of Personal and Prejudicial Interests

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

Minutes of the Meeting held on 25 September 2009

2. Resolved: That the Minutes of the meeting held on 25 September 2009 be confirmed and signed by the Chair.

Lancashire Pensions Services Annual Administration Report

The Sub-Committee considered the 2009/10 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:

- The main focus of activity by LPS had been to support a number of Fund employers through extensive redundancy programmes;
- Support had also been given to a number of local authorities in respect of pension's issues arising from Equal Pay Reviews and subsequent Job Evaluation exercises;
- LPS had helped to promote Additional Voluntary Contributions. This had resulted in the number of applications being trebled during 2009/10 compared with the previous year;
- The total membership of the Pension Scheme in 2009/10 had increased from 126,402 to 130,991 with the number of deferred pensioners increasing from 38,199 to 41,330;
- Customer service was very important to LPS. This involved LPS seeking member feedback, the provision of a front office help desk facility, and training courses for and communications with Scheme members;
- It was anticipated that the current pension administration system would be replaced on 1 August 2010 by a new web-based system (Altair).
- The charge to the fund for LPS which had again been held at £22 per member.
- All performance targets had been achieved apart from the time taken to provide a written response to correspondence. The target was 95% within 10 working days but the actual performance was 90%. Whilst the 10 day target was standard industry practice, Members agreed that the provision of accurate information was more important than the speed of a response.

A concern was expressed about a recent newspaper article regarding flexible retirements, and re-employments. Officers noted the points raised and agreed to pass on these concerns to Human Resources.

3. Resolved: That the 2009/10 Administration report, as now presented, be approved.

Procurement of Actuarial Services

The Sub-Committee considered a report on the proposed procurement process for actuarial services on behalf of the Fund.

The current terms of engagement were agreed in 2004 and it was felt that the Fund should test the market in accordance with best practice.

Members discussed the proposed length of contract and felt that any contract would need to be revisited within shorter timescales than that proposed and this should be a matter for officers to consider during the procurement process.

It was noted that Cumbria and Merseyside Pension Funds were in a similar position regarding actuarial services and that the Funds had been invited to join Lancashire's procurement process. This would minimise the resources needed for procurement and provide economies of scale, as well as strengthening the bargaining position of the Funds. The response from Cumbria and Merseyside would be reported to the Pension Fund Committee on 16 July.

It was hoped to have a new contract in place for the first half of 2011. The appointments process as required by the Terms of Reference of the Pension Fund Committee and its Sub-Committees was outlined. The Sub-Committee agreed that the Pension Fund Committee should be requested to authorise the Appointments Sub-Committee to oversee, interview and make an appointment for the provision of actuarial services.

4. Resolved: That the Pension Fund Committee be recommended that the Fund enters into a procurement process to secure a revised contract for actuarial services and to authorise the Appointments Sub-Committee to make the appointment.

The Payment of Death Grants

The Sub-Committee considered a report which sought to clarify the procedures in respect of the payment of death grants where the beneficiary would be a young adult or child.

5. Resolved:

- (i) That the revised procedures in respect of the payment of death grants where the beneficiary would be a young adult child, as now presented, be approved.
- (ii) That the consequential amendments to the Scheme of Delegation to Chief Officers be approved.

Report on Membership of the Local Government Pension Scheme

The Sub-Committee considered a report on the relatively low take up of the Local Government Pension Scheme.

It was agreed that a campaign to raise awareness of the Scheme and its benefits should be undertaken. However, Members felt that such a campaign should be undertaken in 2011 given the current economic situation including the uncertainty surrounding the Local Government Pension Scheme, as well as the local circumstances of non-members at this time. The outcome of the triennial review would also be known.

It was agreed that the Sub-Committee should revisit this matter in 2011 with a view to a promotional campaign being undertaken with the support of Corporate Communications and other member organisations.

6. Resolved: That a further report on proposals to raise awareness of the Local Government Pension Scheme be presented to a meeting of the Sub-Committee in 2011.

Date of Next meeting

To be confirmed.

I M Fisher
County Secretary and Solicitor

County Hall
Preston

Pension Fund Administration Sub-Committee

Meeting to be held on 5 July 2011

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

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 remainder of the 2011/12 municipal year.
- ii. the membership and terms of reference of the Sub-Committee.

Background and Advice

The County Council at its annual meeting on 26 May 2011 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 remainder of the 2011/12 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.

Pension Fund Administration Sub-Committee

Meeting to be held on 5 July 2011

Electoral Division affected: All

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

Contact for further information:

Diane Lister, (01772) 534827, Resources Directorate

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 2010/11 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 Lancashire Pensions Service's performance against the standards and targets set over the year.

2010 has proved a challenging year. The main focus has 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 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 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 aims to ensure that resources are in place to meet current demand and that service levels return to normal levels during 2011.

On a positive note, the Service was delighted to be awarded 'Corporate Team of the Year' at Lancashire County Council's Pride Awards ceremony in July 2010. This prestigious corporate award recognises outstanding teamwork as well as best practice and an enthusiasm for change.

Also of note is that the Service changed its name to 'Your Pension Service' from February 2011 to better reflect the diversity of its clients and customers which now includes Cumbria Pension Fund administration.

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 2010/11 Administration Report as set out at Appendix 'A'.

Consultations

N/A

Implications:

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
pension
service

PENSION FUND COMMITTEE APPENDIX A

LANCASHIRE COUNTY PENSION FUND

Administration Report 2010/11



1. INTRODUCTION

a) Purpose

This annual administration report is produced in accordance with the Service Level Agreement (SLA) and in line with the Pension Fund Administration Sub-Committee Terms of Reference. 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

The Service was delighted to be awarded 'Corporate Team of the Year' at Lancashire County Council's Pride Awards ceremony in July 2010. This prestigious corporate award recognises outstanding teamwork as well as best practice and an enthusiasm for change.

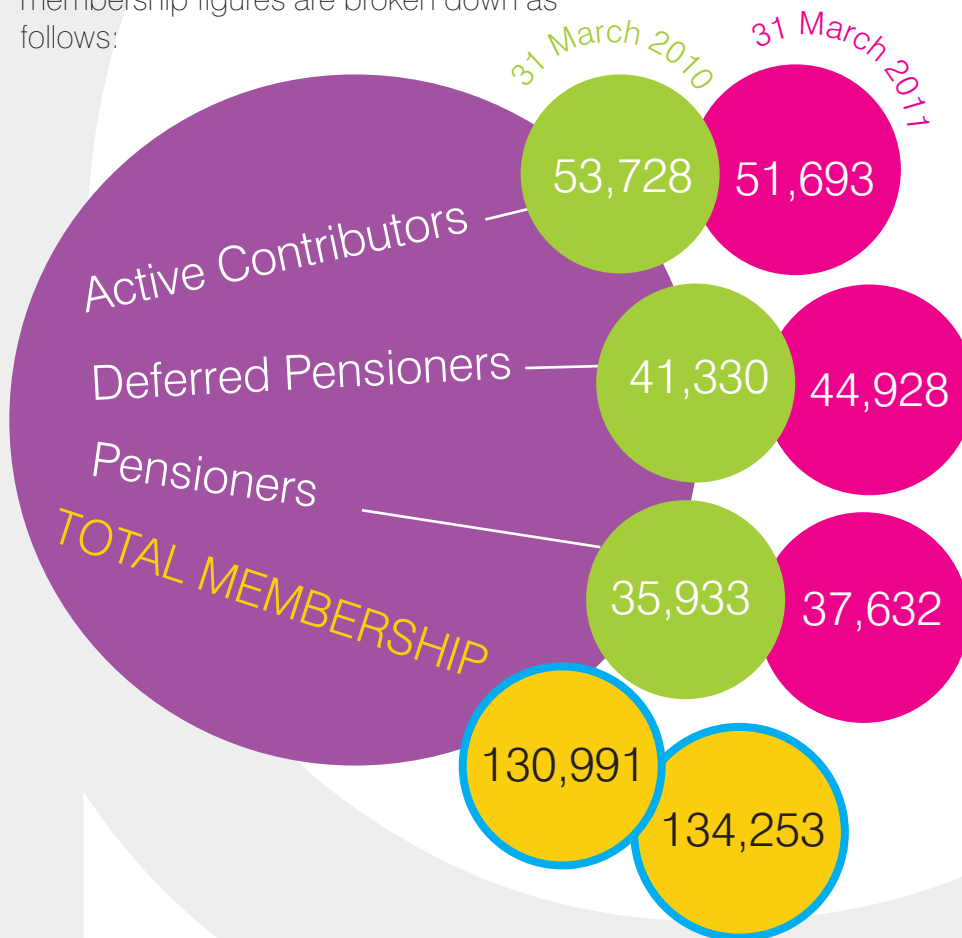
2010 has proved a challenging year. Our main focus has been to support a number of Fund employers, in particular Lancashire County Council, through extensive voluntary redundancy programmes, to provide benefit estimates to agreed timescales as well as processing actual retirements on time

At the beginning of 2011 the Service changed its name to 'Your Pension Service' to better reflect the diversity of our clients and customers which now includes the Cumbria Pension Fund.

2. PERFORMANCE

a) Membership

Membership of the Pension Scheme increased from a total of 130,991 at the beginning of the year to 134,253 as at 31 March 2011. The membership figures are broken down as follows:



b) Caseload & Performance

Caseload volumes have increased over the year. However, 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 target to provide benefit estimates within 10 days of request. This was due to the unprecedented levels of requests following

Lancashire County Council's VR initiative. 3,089 estimates were processed between September 2010 and March 2011, a 32% increase in volume compared to the previous year. The Service aims to ensure that resources are in place to meet current demand and that service levels return to normal levels in the first half of 2011.

a) Feedback
Comparison of Caseload 2008 to 2011

	2007/08	2008/09	2009/10	2010/11
New Member set ups	8,698	8,448	7,186	6,286
Transfer In Quotations	2,571	1,262	1,407	1,805
Transfer In Payments	1,086	836	931	1,387
Issue of Leaver Statements	7,072	6,745	5,567	5,903
Transfer Out Quotations	955	1,046	1,044	1,367
Transfer Out Payments	648	409	501	537
General Correspondence	2,004	1,799	1,870	2,064
Member Changes	10,157	10,161	10,630	10,630
Estimate of Retirement Benefits	2,888	2,341	3,610	4,736
Pensioner Changes	5,560	6,589	5,631	4,695
Calculation of Retirement Benefits	2,063	1,799	2,173	2,652
Calculation of Death Benefits	1,241	1,257	1,242	1,857
New spouse/ dependant pensions	393	463	470	411
TOTALS	45,336	43,155	42,262	44,330

Pensions Services SLA performance standards

Performance against SLA Targets 2008 - 2011

	TARGET	ACTUAL 2007/08	ACTUAL 2008/09	ACTUAL 2009/10	ACTUAL 2010/11
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%	92%	95%	96%	91%
Respond to request for estimates of benefits within 10 working days following receipt of request	90%	93%	96%	94%	84%
Deal with transfers in/out of the Fund within 10 working days of receipt of documentation	90%	93%	94%	93%	91%
Implementation of pensioner and member changes by payment due date	95%	97%	96%	98%	95%
Respond to general correspondence within 10 working days	95%	93%	92%	90%	90%
Set up new starters to the Scheme within 10 days of receipt of notification	90%	98%	98%	99%	99%
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 95,000 benefit statements to scheme members in accordance with a rolling programme. Deferred members received their benefit statements during May 2010. Active members received their benefit statements between September and December 2010.

3. CUSTOMER SERVICE

Customer focus continues to be a priority for YPS. A rolling programme of surveys is in place and this provides useful feedback on services provided by YPS. A recent retirement survey indicated that 90% of people retiring understood their pension statement and 99% of members who received the Retirement Guide found it useful (survey results are shown at the end of this report).

b) Front Office

The Front Office provides a helpdesk facility and this is the first point of contact for members, employers and other visitors to YPS. This service has recently transferred to the County Council's Customer Service Centre. Over the year 92% of telephone calls were successfully answered, exceeding the YPS target of 90% of calls answered.

c) Training Courses for Scheme Members

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

- YPS presented scheme information at 31 pre-retirement courses.

- A number of promotional events took place. Scheme information was available and the team responded to general enquiries relating to membership of the pension scheme.
- At the request of employers, 6 bespoke training events and 4 further presentations on the basics of the Local Government Pension Service (LGPS) and benefit structure took place.
- Each year, following the issue of Annual Benefit Statements, a series of 'pension surgeries' are arranged at locations across the county. This gives members the opportunity to discuss their statement. This year 16 events took place with over 600 members attending.

d) Communication with Scheme Members

The regular annual newsletter for pensioners, 'Beacon', was sent in April 2010 along with P60's. 'Scheme Talk', the annual newsletter for active members, was sent with annual benefit statements towards the end of 2010.

4. EMPLOYER LIASION

a) Annual Practitioner Conference

This year's conference was held at the Woodlands Conference Centre on 6 September 2010 and hot topics were scheme discretions and the future of LGPS. The fund's AVC provider, Prudential, also attended to support the promotion of AVCs across fund employers.

c) Employer Support

As a result of various staff redundancy programmes additional pension surgeries have been held for staff at Burnley, Preston and Pendle. Following the outcome of the job evaluation exercise 11 surgeries were held for staff at Lancashire County Council.

d) Directors Briefing

A Directors briefing for Chief Finance Officers and Directors was held on 14 December 2010. The briefing was held in order to communicate the results of the 2010 formal triennial actuarial valuation of the fund to employers. Further one to one meetings were held between the Actuary and individual employers during January in order to discuss these results and subsequent contribution rates. The Actuary's final report can be accessed via this link www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e

5. LEGISLATIVE CHANGE

a) Hutton Report

Following an interim report in November 2010, Lord Hutton presented the Independent Public Service Pensions Commission's final report on public sector health reform on 10 March 2011. The Government has accepted Lord Hutton's report and the process of consultation and reform will take place over the course of this parliament with new regulations expected to be in place by 2014. In all Lord Hutton highlights 27 recommendations within the report, the main ones are highlighted below:-

- The Government should replace the final salary pension schemes with new career average schemes, moving over time to a common framework as far as possible.
- Existing members move to the new schemes for future accruals, maintaining the link to final salary for calculating the value of their pension rights accrued under the current schemes.
- Normal pension age be linked to the state pension age and rise over time accordingly, with the exception of the police, firefighters and armed services where this would rise to age 60.
- Ministers set a clear cost ceiling for the new schemes to limit employer contributions

to a percentage of pensionable pay with increases to employee contributions or reductions in benefits, being built into the design to keep future costs under control.

- Governance arrangements be enhanced with workforce representatives and minimum administration standards with a role for the Office of Budget Responsibility to report on the fiscal impact of public sector pension schemes.
- The LGPS to remain funded and the others not, and access to the schemes in future be restricted to public service workers.

In conclusion Lord Hutton states that it should be possible for public sector employees to continue to have access to good quality, sustainable and fairer defined benefit pension schemes that deliver decent retirement incomes, but that in order to do so there will need to be comprehensive reform.

b) LGPS Regulations

On 30 September 2010 a number of amendments to the Local Government Pension Scheme regulations came in to effect. A lot of the changes covered technical clarifications. A summary of the main changes are set out below:

- Changes to the new 3 tiers of ill health retirement permitting a 3rd tier member to access their 'suspended' benefits before age 65 with an actuarial reduction.
- Scheme members' spouses and civil partners, who are awarded a share of LGPS retirement benefits in their divorce settlement, are now permitted to receive such benefits from age 60, rather than age 65, provided that appropriate actuarial reductions are made.
- Any new employees who join the scheme on or after 30 September 2010 who also have a deferred benefit(s) from an earlier LGPS employment(s) can now elect to

combine any of their previous membership periods with their current active employment, providing they elect within 12 months of first joining the scheme.

- Changes were introduced to enable Academy Trusts and City Technology Colleges to be treated as Scheme Employers in the Fund and dealt with the impact of the Academies Act 2010 to include new and converter academies.

A full commentary on legislative amendments over the year can be accessed via the YPS website.

www.yourpensionservice.org.uk

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 12 appeals progressed to stage 2 of the IDRP. The specific areas of dispute are set out below: -

7 appeals related to ill health benefits
 1 appeal related to a late transfer
 1 related payment of refund of contributions
 2 related to the repayment of overpaid benefits
 1 related to a benefits estimate
 In respect of these cases 3 were upheld in favour of the appellant, 7 were dismissed and 2 are currently on-going.

7. e-DEVELOPMENT

a) Altair

Altair, a web-based system replaced AXISe as our pension administration system in August 2010. One of the benefits of Altair is that it contains a fully integrated pensions administration and payroll facility and this payroll facility has been implemented, initially for Cumbria pensions during February 2011, with Lancashire pensioners to follow from July 2011. The implementation of this integrated system will streamline the retirement process and going forward this will result in savings to the Fund through a significant reduction in duplication, effort and costs realised by using one integrated system.

b) Website & e-forms

The Your Pension Service website has been completely revamped and can be found using the following link

www.yourpensionservice.org.uk

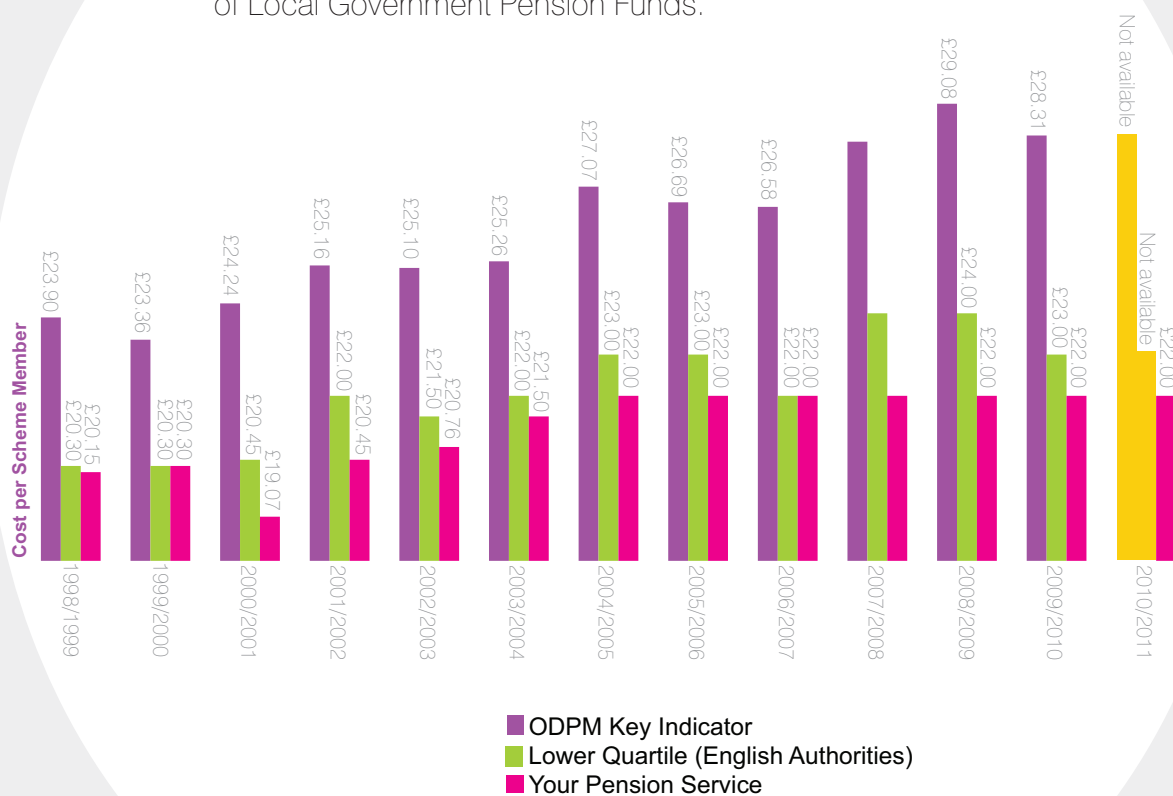
The website contains useful information and contact details as well as a dedicated area for scheme employers, who are encouraged to submit information electronically. There are now 91 employers using e-forms, with 420 individual administrators registered to use this facility via the website. Larger employers continue to send bulk data in spreadsheet format.

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 £23 per member as shown in the latest published statistics for 2009/10.

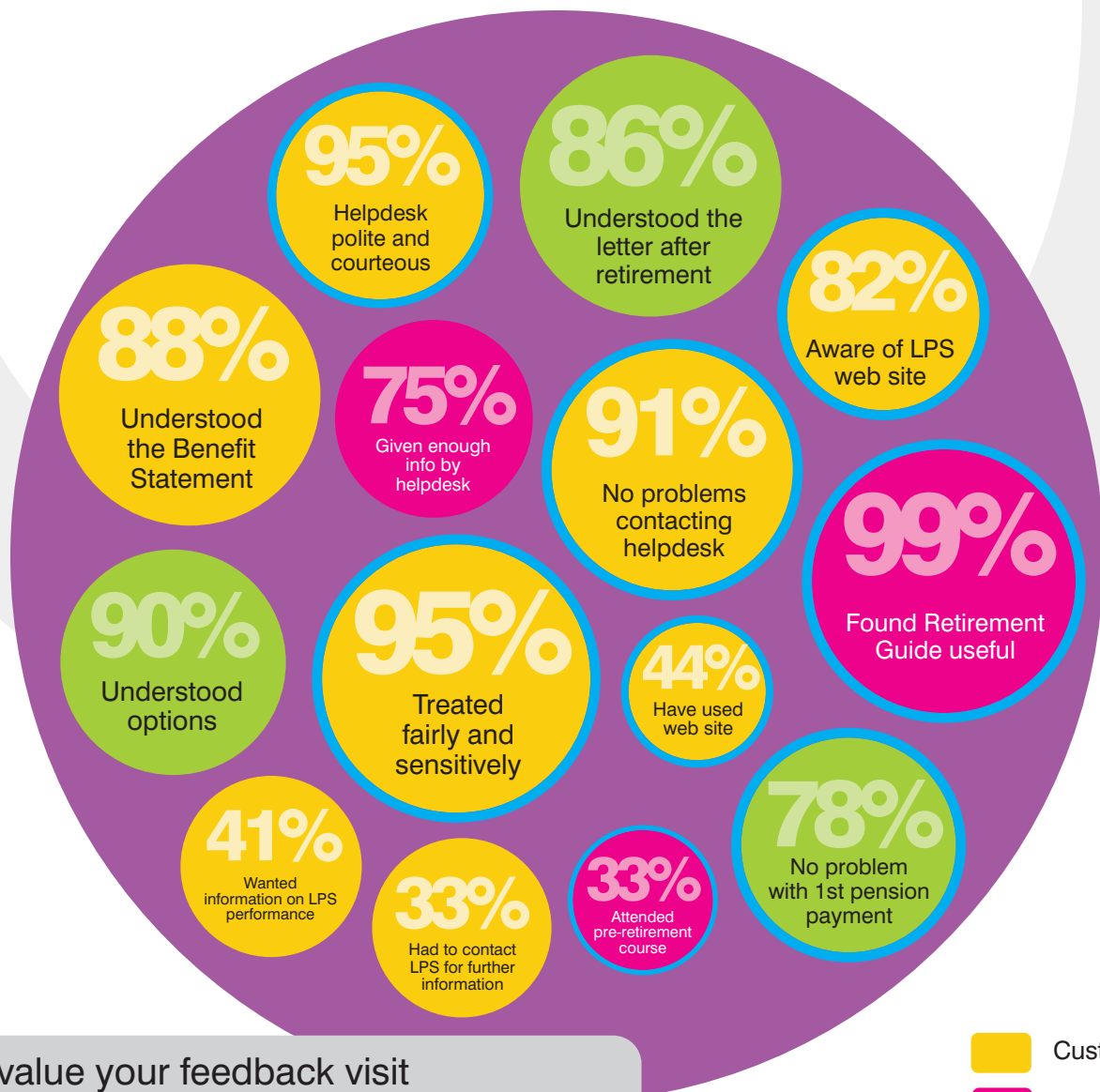
However, as a consequence of increased membership and continued efficiencies, the charge to the Fund for Your Pension Service has been successfully held at £22 per member or below since 2004/5 and for 2010/11 will continue to be £22 per member in line with previous years.

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.



YPS Retirement Survey Results

Aim of Survey: a) to obtain customers views of LPS performance during the retirement process
b) identify areas for improvement



We value your feedback visit
www.yourpensionservice.org.uk

- Customer Liaison
- Pre-retirement
- Payment of Pensions
- Improvement on previous year

Pension Fund Administration Sub-Committee

Meeting to be held on 5 July 2011

Electoral Division affected: None

Report on Membership of the Local Government Pension Scheme

(Appendix 'A' refers)

Contact for further information:

Diane Lister, 01772 534827, County Treasurers Department

diane.lister@lancashire.gov.uk

Executive Summary

At its meeting on 15 June 2010 the Pension Fund Administration Sub-Committee considered a report on the relatively low take up of the Local Government Pension Scheme.

It was agreed that the Sub-Committee should revisit this matter in 2011 with a view to a promotional campaign being undertaken and resolved that a further report on proposals to raise awareness of the Local Government Pension Scheme be presented to a meeting of the Sub-Committee in 2011.

In order to focus awareness on specific groups of employees not in the Scheme, an analysis of Lancashire County Council employees has been carried out. Based on this analysis, a promotions campaign could successfully target a number of specific groups during 2011.

In the longer term, the introduction of Auto-enrolment could also be used as an opportunity to promote continued membership of the Local Government Pension Scheme.

Recommendation

The Sub-Committee is asked to agree the proposals to undertake promotions campaigns to encourage membership of the Local Government Pension Scheme as set out in the background section of this item.

Background and Advice

The level of take up of membership of the Local Government Pension Scheme is essentially a matter for individual employers. However, it does represent 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, as the greater the number of contributing members the longer the Fund is likely to remain cash flow positive.

A recent study undertaken by GMB indicated that on average around one in four Council workers eligible to join the LGPS has opted out. It is unlikely that the take up rate for membership of the Local Government Pension Scheme across any employer will achieve 100% due to the wide profile of employments and variations in salary within Local Government. However, in order to understand the issues around take up of LGPS in Lancashire membership research has been undertaken on the position within the County Council as the largest single employer.

Low Take up – Lancashire County Council

On starting employment all eligible employees are automatically enrolled into the Scheme (i.e. those not eligible to join another public sector pension scheme such as the Teachers Pension Scheme) with the exception of those employed on a contract of less than 3 months duration and those aged 75 or over. Employees may elect at any time to 'opt-out' of the Scheme (they may choose to rejoin at a later date providing they are still eligible).

An analysis of eligible employees within Lancashire County Council was carried out in May 2011 and revealed that currently 25% of Lancashire County Council employees eligible to join the LGPS are not in the Scheme. This is consistent with the recent GMB survey. (It should be noted that previous estimates produced a much higher figure of around 40% due to the inclusion of casual employees as eligible members. Following a regulatory change casual employees are no longer eligible and therefore these employees are no longer included in 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, is set out below. (A more detailed analysis can be seen at Appendix 'A'):

- 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

Auto-enrolment

During 2012 new regulations concerning Auto-enrolment and the introduction of a new national 'NEST' Pension Scheme will come into force. A formal consultation was planned by DWP for July 2011 but at this stage it is not exactly clear how the new regulations will work. However, it is assumed that the Fund's scheduled employers will 'choose' the LGPS as their default pension scheme (broadly these are Local Authorities and FE and HE institutions previously spun out of local authorities). The position for admitted bodies is less clear, but the Hutton review puts the future position of smaller admitted bodies within LGPS in doubt in any event.

At this point it is understood that any existing employees who are not current scheme members, but who have been and continue to be eligible to join the scheme, do not

need to be auto-enrolled. However, these members could be encouraged to actively join the scheme during the transitional staging period of Auto-enrolment (i.e. between October 2012-September 2016 (staging for LCC is expected to be January 2013)).

Implications of Low Membership Take Up

The level of membership of the Fund is fundamentally important, the wider the contributor base the greater the difference between pensions in payment and incoming contributions is likely to be. This means that the Fund will have more positive cash flow available for investment for a longer period of time.

There are a number of factors which are currently pulling in the opposite direction and perhaps encouraging opting out or non-take up. Some of these are wider issues, for example, the impact of the student loan system is perceived to be discouraging new graduates from pension saving. However, the greatest perceived threat to current levels of take up is any proposal to increase employee contribution rates, which in LGPS currently average 6.5% of pay. There are various estimates of the impact of the suggested 3% increase in contributions on take up, although at best these can only be described as educated guesses. The common factor in all these is that Funds in general would very quickly (perhaps within 5 years) move to a cash flow negative position (i.e. needing to run down the capital value of the Fund). Such a change would require very rapid changes in investment policy, in particular a significant de-risking through a movement out of equities and into bond type investments. Such changes would have very significant economic consequences given the scale of LGPS funds as investors in UK equity markets.

Recommendation

In line with LGPS Regulations Lancashire County Pension Fund maintains a Communication Policy Statement which states that: -

'The administering authority undertakes to promote the LGPS to employing authorities. In particular the authority will target prospective members i.e. the employing authority's new employees and current employees who are eligible to join the Local Government Pension Scheme and are not currently members of the Scheme.'

Therefore in light of the recent analysis of non-take up, and in view of the potential impact of non-take up as noted above, a campaign to promote Scheme membership should be undertaken during 2011/12. This campaign will be specifically aimed at targeting the profile of employees not in the Scheme as identified above. A progress report will be presented to the next Pension Fund Administration Sub Committee meeting.

Further to this, and to coincide with Lancashire County Council's staging of Auto-enrolment, expected to begin in January 2013, a campaign will be undertaken to promote Scheme membership. Similar campaigns will be launched in respect of other participating employers as the Auto-enrolment process progresses. Progress

will be reported to the Pension Fund Administration Sub Committee at an appropriate future meeting

Consultations

N/A

Implications:

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 campaigns can be met within existing Budget constraints.

Risk management

As set out in the report.

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

N/A

Low Member Take-Up

Of 31,680 posts within the County Council eligible for the LGPS, 7,941 are not members (25%). 1,352 of these are male and 6,589 female.

The age of employees not in the scheme varies as follows:-

Under age 30	1062
Age 30-39	1329
Age 40-49	2201
Age 50-59	1800
Age 60-64	827
Age 65-74	722

Most employees not in the scheme work less than 30 hours. (1709 work more than 30 hours, 6289 work less).

Employees earnings range as follows:-

Less than £7 per hour	3660
£7.00-£9.99 per hour	3047
£10.00-£14.99 per hour	1088
£15.00 – 19.99 per hour	120
£20.00 plus	26

Actual take home pay is as follows:-

Less than £5000 gross	3750
£5000-£9999	2010
£10000- £14999	979
£15000- £19999	736
£20000-£29999	364
Over £30000	102

The majority of jobs undertaken by employees not in the scheme are at the lower end of the pay scale.

TEACHING ASSISTANT 2A*	825
WELFARE ASSISTANT	651
CATERING ASSISTANT	574
CLEANER	522
CLEANING OPERATIVE	381
TEACHING ASSISTANT 2B*	368
TEACHING ASSISTANT 3*	367
PASSENGER ASSISTANT 2	352
SCHOOL CROSSING PATROL 1	265

CARE ASSISTANT (RESIDENTIAL) 3	177
HIGHER LEVEL TEACHING ASSISTANT*	151
BUSINESS SUPPORT OFFICER 4	141
CARE ASSISTANT	127
UNIT CATERING SUPERVISOR 3	116
CATERING OFFICER 1	114
TEACHING ASSISTANT 1*	110
COMMUNITY SUPPORT WORKER (DOM)	108
SENIOR MIDDAY SUPERVISOR	105
LIBRARY FRONTLINE ASSISTANT 4	101

The majority of employees live in the following post code areas

PR	2790
BB	2472
LA	946
FY	691
WN	488
L	263
OL	141

* A more detailed analysis of Teaching Assistant posts revealed: -

Total not in the scheme is 1,841(23% of those not in scheme).

897 work less than 20 hours, 944 work more than 20 hours

1201 earn less than £10,000 (actual pay)

618 from BB post code
 142 from FY post code
 205 from LA post code
 626 from PR post code
 126 from WN post code
 124 from other various