

# Business Plan 2015/6 to 2017/8 – Q1 Update

## Administration and Communications

### Key Tasks

Key:

|    |  |
|----|--|
|    | Complete   |
|    | On target or ahead of schedule   |
|    | Commenced but behind schedule  |
|    | Not commenced  |
| xN | Item added since original business plan  |
| xM | Period moved since original business plan due to change of plan /circumstances             |
| *  | Original item where the period has been moved or task deleted since original business plan |

| Ref | Key Action -Task   | 2015/6 Period |    |    |    | Later Years |         |
|-----|--|---------------|----|----|----|-------------|---------|
|     |  | Q1            | Q2 | Q3 | Q4 | 2016/17     | 2017/18 |
| A1  | Preparation of Member Data for Valuation and Funding reviews |               | x  | x  |    | x           |         |
| A2  | Normal Year End returns                                      | x             | x  |    |    | x           | x       |
| A3  | Annual Benefit Statements                                    | x             | x  | x  |    | x           | x       |
| A5  | Backlog of transfers and aggregation                         | x             | x  | xM | xM |             |         |
| A8  | End of contracting out incl GMP issues                       | x             | x  | x  | x  | x           | x       |
| A9  | Freedom and Choice   | x             | x  |    |    |             |         |
| A10 | Pension Administration Strategy and Performance Standards    | x             | x  | xN | xN |             |         |
| A12 | Dealing with backlog   | x             | x  | x  | x  | x           |         |
| A13 | I-Connect  |               | x  | x  | x  | x           | x       |
| A14 | Delays due to implementation of LGPS2014                     | x             | x  | xM | xM |             |         |
| A16 | Trivial Commutation  | x             | x  | x  |    | x           |         |
| A17 | Communications Strategy                                      | x             | x  | xN | xN |             |         |
| A20 | Document production and word integration                     |               | xN | xN | xN |             |         |
| A21 | 3rd Party Administrators Framework                           |               |    | xN | xN | xN          |         |

## **Administration and Communication Task Descriptions**

### **A1 – Preparation of Member Data for Valuation and Funding reviews**

#### **What is it?**

Triennial actuarial valuation as at 31 March 2016 and a funding review as at 31 March 2015 require the pensions administration team to provide data to the actuary. This generally involves additional year end cleansing. This work is particularly detailed for the 2016 actuarial valuation.

#### **Timescales and Stages**

|                                   |              |
|-----------------------------------|--------------|
| Data for 31 March 2015 review:    | 2015/16 Q2/3 |
| Data for 31 March 2016 valuation: | 2016/17 Q1/2 |

#### **Resource and Budget Implications**

Carried out by the Technical Team in the main with assistance from the Communications Officer when communicating the valuation results. All internal costs are being met from the existing budget.

### **A2 – Normal year end returns**

#### **What is it?**

The validation and cleansing of the member data received from the Fund Employers, followed by the posting to Fund member records which will allow the information to be used in the production of Annual Benefit Statements, the actuarial valuation and year end accounts.

#### **Timescales and Stages**

|                                    |                |
|------------------------------------|----------------|
| Receive data from Fund employers:  | Q1 each year   |
| Validate and cleanse data:         | Q1/2 each year |
| Post clean data to member records: | Q1/2 each year |

#### **Resource and Budget Implications**

Carried out by the Technical Team. All internal costs are being met from the existing budget.

### **A3 – Annual Benefit Statements**

#### **What is it?**

Statements that we send out to all current employees and deferred pensioners on an annual basis detailing the pension benefits they are entitled (or are projected at retirement) to receive from the Fund as at 31 March of that year. There are statutory deadlines setting out when these statements must be issued by, and preparing accurate statements depends on receiving timely and correct data on all employees from each employer in the Fund.

### **Timescales and Stages**

|  |                |
|--|----------------|
| Receive and process data from employers: | Q1 each year   |
| Prepare and check statements:            | Q1/2 each year |
| Issue statements to all members:         | Q2/3 each year |

### **Resource and Budget Implications**

Carried out in the main by the Technical Team with input from the Communications Officer and Operations Team. All internal costs are being met from the existing budget.

## **A5 – Backlog of transfers and aggregation**

### **What is it?**

Given national uncertainty as to how exactly transfers were going to work regarding the new LGPS 2014 CARE scheme, and as to how members' benefits would be aggregated, a backlog of such cases has built up. Now that this uncertainty has largely been resolved, this case backlog needs to be revisited to eliminate it, although it should be noted that investing resources to reduce this backlog will have a knock on effect that could result in day to day administration cases being delayed.

### **Timescales and Stages**

|   |              |
|---|--------------|
| Identify cases and establish plan to resolve: | 2015/16 Q1   |
| Clear cases internally:                       | 2015/16 Q1/2 |
| Clearing cases using external support:        | 2015/16 Q1/2 |

### **Resource and Budget Implications**

To be completed by the Operations Team. Internal costs are being met from the existing budget albeit this will utilise some of the overtime budget.

## **A8 – End of Contracting out including GMP issues**

### **What is it?**

The government's announcement that contracting out will cease and that HMRC will no longer be responsible for maintaining GMP member records. This means that the onus will be on individual Funds to ensure that the GMP data they hold on their systems matches up to the data held by HMRC before they cease holding these records. Unfortunately this has generally shown significant discrepancies between the two sets of GMP data, and a significant amount of work will be required to determine the correct benefits, ensure all systems are updated and to process a significant number of over/underpayment calculations. After the GMP records are reconciled for former pensionable employees, the Fund will also verify national insurance information held for active members. All GMPs and national insurance information must be reconciled by December 2018, the date HMRC will cease to provide their services. The timescales below are subject to change depending on the magnitude of the work.

### **Timescales and Stages**

|   |                   |
|---|-------------------|
| GMP data reconciliation and investigation:        | 2015/16 to 2017/8 |
| Benefit correction and system updates:            | 2015/16 to 2017/8 |
| Reconciliation of national insurance information: | 2017/8 Q1-4       |
| Communication of end of contracting out:          | Ongoing           |

### **Resource and Budget Implications**

This project will be led by the Technical Team with assistance from a dedicated team within Operations and some future assistance from the Communications Officer. However, due to the magnitude of this project, we are investigating utilising assistance from an external supplier.

## **A9 – Freedom and Choice**

### **What is it?**

The recent changes announced by government whereby members of Defined Contribution (DC) Pension Schemes can choose to take all of their pension pot as a lump sum (rather than purchasing a pension) delivered a considerable amount of additional flexibility to people about to retire. Although not directly relevant to the LGPS, the knock on implication is that deferred members may choose to transfer their LGPS benefits into a DC scheme, subject to satisfying certain conditions (like having received financial advice). Alternatively they may be able to take AVCs in accordance with the new flexibilities. Depending on the numbers of members choosing to transfer, this could potentially cause cashflow implications for the fund, or funding implications for employers within the Fund

### **Timescales and Stages**

|                                |              |
|--------------------------------|--------------|
| Understand new requirements:   | 2015/16 Q1   |
| Update internal process:       | 2015/16 Q1/2 |
| Communicate to scheme members: | 2015/16 Q1/2 |

### **Resource and Budget Implications**

This will impact all of the Technical Team, Communications Officer and Operations Team. All internal costs are being met from the existing budget.

## **A10 – Pension Administration Strategy and Performance Standards**

### **What is it?**

A documented strategy outlining how we deliver our administration services, the high level service standards we will provide and we expect from employers, how these will be measured and reported, and the key risks to this service. The draft strategy must be consulted on with key stakeholders (mainly employers) prior to approval. A key output will be regular monitoring of standards against those included in the strategy.

### **Timescales and Stages**

|                                  |              |
|----------------------------------|--------------|
| Develop draft strategy:          | 2015/16 Q1   |
| Consult:                         | 2015/16 Q1/2 |
| Pension Fund Committee Approval: | 2015/16 Q1/2 |

### **Resource and Budget Implications**

To be led by Pension Fund Administration Manager with assistance from the Technical Team and the Communications Officer. All internal costs are being met from the existing budget. There will also be some external costs associated with this exercise relating to advice on the appropriate strategy.

### **A12 – Dealing with backlog**

#### **What is it?**

A backlog of member cases to be dealt with (calculations and updating of member records). Initially this was identified as being 3,000 cases and this has been reduced by the pensions administration team to around 1,700 (as at February 2015). Plans are now in place to further reduce and eventually eliminate this accumulated backlog over time, including using the Fund's Actuary to help in a number of cases. This will be subject to oversight by a Project Steering Group involving key employers and chaired by the Chief Officer People and Resources.

### **Timescales and Stages**

|   |              |
|---|--------------|
| Management of project including prioritisation: | 2015/16 Q1/2 |
| Ongoing support from external providers:        | 2015/16 Q3/4 |
| Working through and eliminating backlog:        | to 2016/17   |

### **Resource and Budget Implications**

The majority of this work is being outsourced to the Fund's Actuary and it will be managed by one of the Operations Principal Pensions Officers (at least initially) with her duties being backfilled to a large degree by others in the Operations Team. It will also require some assistance from the rest of the Operations Team. Employers will also need to dedicate appropriate time to providing the information to reduce the backlog. There will be substantial external costs associated with this exercise.

### **A13 – I-Connect**

#### **What is it?**

On-line computer module that will allow information to be submitted by employers more directly and efficiently into the pension administration system. It involves employers uploading data directly into I-Connect from their payroll systems. I-Connect will be provided to the Fund's three Councils as separate stages. The first stage will be ensuring that the correct member records are held on the administration system.

### **Timescales and Stages**

|                  |                             |
|------------------|-----------------------------|
| Denbighshire CC: | 2015/16 Q2-Q4               |
| Flintshire CC;   | 2016/17 Q1-Q4               |
| Wrexham CBC:     | 2016/17 Q3 to<br>2017/18 Q1 |

### **Resource and Budget Implications**

Data cleansing will be carried out by the Operations Team and then the Technical Team will roll out I-Connect to the employers. All employers will also need to dedicate appropriate resource to develop file uploads and carry out testing. All internal costs are being met from the existing budget.

### **A14 – Delays Due to Implementation of LGPS2014**

#### **What is it?**

As a result of the late issue of the Regulations governing the new LGPS 2014 scheme and the significant amount of work preparing for the new scheme and the administration system not being fully operational for all cases on 1 April 2014, there are number of cases to be dealt with that have built up.

### **Timescales and Stages**

|   |            |
|---|------------|
| Identify cases and establish plan to resolve: | 2015/16 Q1 |
|---|------------|

### **Resource and Budget Implications**

To be determined.

### **A16 – Trivial Commutation**

#### **What is it?**

This is where a member who is entitled to a small pension can elect to give up the entirety of that pension and instead receive their benefit as a single lump sum payment, to reduce the administrative burden on Funds paying a large number of very small pensions over a number of years as well as providing greater clarity from a funding perspective. The government has recently increased the allowable limit for members to trivially commute their pension in relation to their single pension (£10,000 value) and total benefits (£30,000), and this has meant that more members are now eligible to choose this. The pension administration team will need to identify all historical cases that are eligible in the two categories and communicate with them to determine whether they would like to commute their pensions for lump sums. In addition, they will need to update their processes for all future retirements.

### **Timescales and Stages**

|  |              |
|--|--------------|
| Update processes for future cases:                   | 2015/6 Q2    |
| Identify members eligible to commute under £10,000:  | 2015/16 Q1/2 |
| Communicate with eligible members and pay lump sums: | 2015/16 Q2/3 |
| Identify members eligible to commute under £30,000:  | 2016/17 Q2/3 |
| Communicate with eligible members and pay lump sums: | 2016/17 Q3/4 |

### **Resource and Budget Implications**

Identification of cases will be by the technical team with the processes dealt with by a small team within the Operations Team. All internal costs are being met from the existing budget.

### **A17 – Communications Strategy**

#### **What is it?**

A documented strategy setting out how we will engage and communicate with stakeholders and customers, and our communication objectives for the forthcoming financial year. The strategy is developed and signed off by the Pension Fund Committee. A strategy is already in place but is due to be reviewed.

#### **Timescales and Stages**

|                                  |              |
|----------------------------------|--------------|
| Review existing strategy:        | 2015/16 Q1   |
| Consult:                         | 2015/16 Q1/2 |
| Pension Fund Committee Approval: | 2015/16 Q1/2 |

### **Resource and Budget Implications**

To be led by Pension Fund Administration Manager with assistance from the Communications Officer. All internal costs are being met from the existing budget. There will also be some external costs associated with this exercise relating to advice on the appropriate strategy.

### **A20 - Document Production and Word Integration**

#### **What is it?**

Utilising the Pensions Software (Altair) to set up documents to create and maintain the standard layout of letters, summaries and other documents. Variable data may be populated from data held within the system.

After the completion of a benefit calculation or a bulk calculation, or following a selection of members, the variable data is merged with the document text to produce the required generated documents for each member. Documents are listed in the Document History List. They can be printed immediately or late.

#### **Timescales and Stages**

|  |              |
|--|--------------|
| Obtain all current letters in use                | 2015/16 Q2/3 |
| Update System with all letters including testing | 2015/16 Q3/4 |

### **Resource and Budget Implications**

To be led by the Technical Team with assistance from the Operational Team. All internal costs being met by the existing budget.

## **A21 - 3rd Party Administrators Framework**

### **What is it?**

To set up a national Framework with other Pensions Fund to enable the procurement of 3rd Party Administrators to assist in project work, where internal resources are not sufficient to cope or have the required knowledge and experience to undertake whilst continuing to do "business as usual"

### **Timescales and Stages**

|                                     |              |
|-------------------------------------|--------------|
| Procurement of advisor to Framework | 2015/16 Q3   |
| Out to Tender                       | 2015/16 Q4   |
| Appointment to Framework            | 2016/17 Q1/2 |

### **Resource and Budget Implications**

To be led by the Pension Fund Administration Manager. All internal costs to be met by the existing budget. There will be some initial set-up costs involved in this process, to be determined.