



## Employer Panel 22<sup>nd</sup> September 2011 - Dexter House

### In attendance

Maureen Kelly – Local Government Ombudsman  
Graham Patrick – Roehampton University  
Sheila Anderson – Goldsmiths College  
Kevin Beerling - Prospects  
Geoff Lee – London Probation Trust  
Sean Brosnan – London Metropolitan University

### Apologies

Geraldine Cross – University of the Arts London  
Bridget Omakobia – Lambeth College  
Mark Sellis - Ealing, Hammersmith and West London College

### Hutton Update

Greg Smith provided panel members with an update to scheme developments following the Hutton Commission and advised that LPFA is still waiting on the final consultation documents from the CLG. Once this has been received, this will be communicated to employers, however there are no current time scales.

A point was taken that the LPFA could be better at communicating when there is no news.

Greg Smith then discussed the proposed 3% increase in employee contributions. He suggested that the Government has hinted that this won't be applied to the LGPS in full but that a change to the benefit structure from 1<sup>st</sup> of April 2012 is a possibility e.g. moving to a 1/70<sup>th</sup> accrual rate.

LPFA have provided a response which advises that there are other ways of increasing the revenue rather than increasing contributions. The Government has recognized that the LGPS is a funded scheme and is therefore different.

Consultation should come out within the next couple of months as the new regulations are set to be in place from the 01/04/2012.

LPFA are still awaiting a response on the fair deal consultation.

### Green Paper

The LPFA was supportive of elements of the Hutton report and are now working with CLG, to iron out what will work and providing ideas for a workable scheme.

On the 6<sup>th</sup> of September 2011 LPFA launched their Green Paper, which was designed to identify how a new LGPS pension scheme can be implemented by 2015.

The Green Paper included;

- Career Average
- 1/70<sup>th</sup> accrual rate
- Elements of communication
- A form of Centralization
- Monitoring and comparing performance

The media focus was to maintain the LGPS as an affordable scheme. All media publications are available on the LPFA website [www.lpfa.org.uk](http://www.lpfa.org.uk).

### Discussion

Employers discussed the timing of communications with members. They were keen to avoid confusion. If possible they would like to provide updates and communication to employees in January 2012.

Concern was raised, regarding the emphasis placed on communicating to pensioners with active members being unable to attend seminars scheduled during working hours. Greg suggested the possibility of holding an active members seminar in the evening.

It was also suggested that for the lower paid income earners career average might be better than final salary but that the message is not being delivered clearly.

It was suggested to produce a comparison between NEST and the LGPS so employers can see the benefits of the LGPS.

### **Employer Covenant Issues**

LPFA has begun assessing the financial health of employers. The key reason behind employer covenant checks is to prevent liabilities falling on other fund employers and to improve risk management. The causes of this were identified as a small number of employers becoming insolvent.

Tony identified some of the reportable events for employers;

- Any material change to terms and conditions
- Any matter which may affect its participation in the LGPS
- Any change in status
  - Take over
  - Amalgamation, liquidation, receivership
  - Change in nature of the business
  - Cease of trading in the UK

The insolvency process was addressed and it was identified that LPFA attempts to recover the maximum monies through the liquidation process.

LPFA is going to concentrate on engaging with employers, providing updates through the employer newsletter and report progress to the Board.

### **Discussion**

Employer panel suggested that the onus needs to be on the LPFA to be active with helping smaller employers.

### **Automatic Enrolment**

A general overview of the topic was provided; what automatic enrolment was and why it was being brought in, whom it would affect, when the change is scheduled to take place and a key check list for employers to follow while identifying the key issues which are aligned with automatic enrolment.

Eligibility of automatic enrolment;

- Those who are not already in a workplace pension scheme
- Are at least 22 years of age
- Have not yet reached the state pension age
- Earn more than the minimum threshold
- Work or ordinarily work in the UK

Key issues were identified for LGPS employers;

- To identify all optants out and admitted bodies – those currently not in the scheme
- Existing optants can only opt out of the auto-enrolment after being admitted, but must do so within 1 month to receive a full refund of contributions

- If you have existing alternative schemes are they compliant (Nest and the LGPS are compliant)
- Employers will have to notify the Pensions Regulator that they are in a qualifying scheme
- Employers are responsible for record keeping, who is in/out and dates for re-enrolment

### Discussion

Cost comparison between NEST and LGPS was suggested, a comparison of the benefits to enforce the value of the LGPS.

It was also outlined that auto-enrolling younger members into the scheme reduces the risk and increases the spread of liabilities, potentially reducing the employer contribution rate.

### Pensions Administration Strategy (PAS)

The PAS has established a dialog with smaller employers where pensions are unfortunately not always their number one priority. It sets out service level agreements and highlights the responsibilities of LPFA and the employer.

Performance notification letters and charges levied have prompted the smaller employers to contact us which has given us the opportunity to explain the importance of providing pension related information in a timely manner. Employers have explained the problems that they face in providing certain information and we have suggested alternative methods of working to assist where we can.

Achievements so far include significant improvements in data and information flow, substantial increases in online forms being submitted (80-85%) and a decrease in the overall number of year end queries.

From an administration perspective elapsed times (the time it takes to complete a case in the eyes of the customer) have decreased in serious of Pensions Services case types.

With a large number of forms now being submitted online this helps eliminate errors as the system carries out automated validation checks as the employer completes the form. The system also helps eliminate any lost forms as historic forms are all archived and available to view at any time.

### Online

We have seen vast improvements in;

- Tolerance checks
- Eliminates lost papers
- Decreases end of year queries
- Data matching systems
- Hours
- Accurate data FRS17
- Bulk transfers – eliminates queries from actuary
- Members receive their annual benefit statements
- Retirement payments been paid efficiently
- Quicker turn around times for administration
- Money paid is allocated to the employer

Following this the next steps include;

- Implementing further charges
- Charging employers who are in excess of 10% error at end of year
- A feedback survey on PAS will be implemented (JC and ES to develop).

### Discussion/Suggestions

- The new joiners form (online), could have a box to indicate whether they are interested in a transfer of fund.
- Amend online form to state the employer has sighted the original birth certificate. Would copy signed by employer be sufficient? And would it be possible to use passports as a proof of age/birth?
- On the change of address form would it be possible to include the current address to confirm whether the address the employer has matches.
- Returned Annual Benefit Statements should be sent on to the employer so they are aware of data which is not up to date.
- Include a change in contract or increase in salary on the leaver options, drop down menus.
- Employers would like to be able to perform online searches via name rather than NI.

### Employer Data

Data matching is the activity involving the comparison of personal information from different sources e.g matching payroll data to the information held by LPFA. The data matching process identifies where errors in the data have occurred or where data is not the same in both sources.

Employers are not using the data matching system.

Re-launch of the data matching system.

Queries are not getting through to us until the end of the year. This prevents Annual Benefit Statements going out on time or correctly. If employers are able to run this data match on a regular basis, this will limit the amount of end of year queries.

A personalised letter will be sent to the top 15 employers stating the number of queries their organisation had and the number of queries which could potentially be resolved through data matching.

Problems were identified with term time employees; there needs to be a long term fix however, in the short term this can be identified in the comments section.

Emily Sanders will be contacting employers, regarding Data Matching to see who is using it and when they intend to start using it.

### End Of Year

There has been a substantial decrease in error rate from 20% to 12% across the fund. LPFA would like to decrease this further to be inline with the actuary 3% employer 1% across the fund.

Pension Services Team was able to maintain a 10% error rate across the board.

In the future we are looking at setting meetings with employers to provide training and to ensure that End of Year is completed correctly and accurately.

### Websites

A demo on the look and feel of the proposed new website was carried out. Employers were impressed with the improved functionality and colour scheme. The drop down menus appeared popular.

Suggestions were provided on the employers sections: 1) To have the employers guide more interactive. 2) Be able to search via topic and produce a search bar up the top to be implemented across all pages.

**Next Meeting: To be advised**