

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

26 NOVEMBER 2015

MEMBER AND EMPLOYER ISSUES

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To provide Members with information relating to membership movements, performance and costs of benefits administration as well as related events and activity over the year to date as follows;

(a) Admission Agreements and Academies	(see section 2)
(b) Annual Allowance	(see section 3)
(c) Administration Performance	(see section 4)
(d) Membership Analysis	(see section 5)
(e) CIPFA Benchmarking Return 2014/15	(see section 6)
(f) End of Contracting Out	(see section 7)
(g) Member Training	(see section 8)
(h) Meetings Timetable	(see section 9)

2.0 Admission Agreements

2.1 The latest position re Proposed Admission Agreements is described in the table at **Appendix 1**. There are no specific issues requiring the attention of the Committee.

2.2 The list of schools known to be converting to academy status is also included in **Appendix 1**

3.0 Annual Allowance Checks for 2014/15 Tax Year

3.1 HMRC require that an annual check is made on the growth of pension scheme benefits for each member of North Yorkshire Pension Fund. If the growth in pension benefits exceeds a value set by HMRC then a 'tax charge' will apply. The level of untaxed increase permitted for 2014/2015 was £40,000.

3.2 The annual allowance primarily affects recently joined members with previous LGPS pension rights transferred into the North Yorkshire Pension Fund. Members in receipt of internal promotion can also be impacted.

3.3 For 2014/2015, all affected members have been informed in writing and provided with a relevant statement in accordance with HMRC deadlines.

4.0 Performance of the Pensions Administration Team

4.1 The performance figures for Quarter 2 of 2015/16 are as follows;

Performance Indicator	Target in Q2	Achieved
Measured work achieved within target	98%	99%
Customers satisfaction with the service	94%	93%
Reduce reliance on customer helpline. Phone queries reduced as a proportion of customer contacts to <29%	29%	30%
Increase numbers of registered self-service users	13,000	10,167
Complete production and roll out of Annual Benefit Statements	Before end of August 2015	See comments in 4.3 below
Total Sickness absence to the end of Q2	3 days per employee	5.55 days

4.2 The measured work achieved has improved from 96% in Quarter 1 to 99% in Quarter 2. Working practices introduced in June 2015 have now bedded in and have resulted in improvements that allow staff to focus on key areas of activity.

4.3 Obtaining timely information from employers remains a challenge and there is limited scope for Pensions Section staff to 'chase' employers for information. This issue has been reflected in the feedback from recently retired members and potential solutions will be discussed with employers at the next NYFFOG meeting. The Pensions Section staff currently adhere to a five day turnaround for writing to retirees once all the information has been received from the employer. This ensures that members are contacted as soon as possible and no further delays occur.

4.4 The self-service registration performance indicator was comfortably on target prior to the implementation of the Altair pension administration system. Although the move to Altair brought improved self-service facilities, all existing users were deactivated and required to re-register their details. The total number of registered self-service users is therefore building up again from a zero base. There has been an increase of 704 registered members in Quarter 2.

4.5 The Pensions Systems Team produced as many Annual Benefit Statements as possible by 31 August 2015 based on the Year End data received from employers. The statements for the majority of employers were consequently loaded onto the Member Self-Service System within the original deadline. The production of the remaining statements has been delayed with two of the largest employers unable to provide accurate and complete data-sets in a timely manner. Problems with extracting the data required under LGPS2014 via the employers' payroll software has been the main issue reported.

- 4.6 All LGPS pension funds have experienced similar delays and the pensions arm of the LGA has contacted the Pensions Regulator to highlight the issue. The Regulator subsequently agreed to extend the deadline for 'self-reporting breaches' to 30 November 2015 and is requiring funds to provide an update on progress, including a plan for the issue of all outstanding statements.
- 4.7 Plans are in place with relevant employers to provide the missing data and issue the statements as soon as possible. An update will be provided at the next meeting of the Pension Fund Committee, including plans to engage employers at an early stage to avoid any reoccurrence of the issue and proposals for strengthening relevant wording in the Pensions Administration Strategy.
- 4.8 The sickness absence figure remains high due to one instance of long-term sick leave. The relevant member of staff subsequently retired at the beginning of November 2015. Sickness absence levels have previously been low within the Pension Administration Team and there are no current operational concerns in this area.

5.0 Membership Analysis

- 5.1 The membership movement figures for the second quarter of 2015/16 are as follows:

Membership category	At 31/03/2014	+ / - Change (%)	At 31/03/2015	+ / - Change (%)	At 30/09/2015
Actives	31,501	+11.1	34,990	+4.8	36,684
Deferred	29,490	+3.7	30,591	+0.4	30,722
Pensioners*	17,668	+4.4	18,451	+3.3	19,061
Total	78,669	+6.8	84,032	+2.9	86,467

*Figures include spouses' and dependants' pensions

- 5.2 It is anticipated that the pending employer data returns outlined in **Section 4.7** will identify a number of duplicate and ceased pensionable posts. This is likely to impact upon membership reporting, reducing the reported number of active members for 2015/16.
- 5.3 A breakdown of retirements across the Fund in Quarter 1 and Quarter 2 is at **Appendix 2**.

6.0 CIPFA Benchmarking Return 2014/15

- 6.1 The benchmarking results for the year 2014/15 showed the unit cost for NYPF pensions administration was £14.14 per member compared with an average across the whole of the CIPFA Benchmarking club of £19.17 per member.
- 6.2 The NYPF unit cost per member has decreased from £14.85 in 2013/14. NYPF has maintained its upper quartile position despite the challenges presented by LGPS2014. Administration performance was above average in seven out of nine categories, with only one area falling below the average.

7.0 End of Contracting Out

- 7.1 The introduction of the single tier, flat rate State Pension on 6 April 2016 will result in the cessation of the 'contracted out' status of the LGPS. Members and Scheme employers currently pay a reduced contracted out rate of National Insurance (NI) contributions. Members pay 1.4% less in NI contributions and Scheme employers pay 3.4% less in NI contributions for each employee who is a member of the LGPS.
- 7.2 Due to the contracted out status of the LGPS there will be an impact on the State Pension for those reaching State Pension age from 6 April 2016 onwards. LGPS members will not receive the full value of the new single tier State Pension, due to the fact that they have not paid the full rate of NI contributions during their period of membership of the LGPS.
- 7.3 Members will be made aware of the increase in their NI contributions and the State Pension changes through a newsletter to be circulated to all active LGPS members via employer communication channels. The newsletter will be based on information provided by the LGA, which is shown as **Appendix 3**. The newsletter is to be circulated after the Government's Autumn Statement on 25 November 2015 where the final details of the State Pension changes will be announced. Information on the new State Pension will also be included in the March 2016 pensioner newsletter so as to update those members in receipt of LGPS benefits but who have not yet reached State Pension age.

8.0 Member Training

- 8.1 The Member Training Record showing the training undertaken over the year to November 2015 is attached as **Appendix 4**.
- 8.2 Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 5**. Please contact Andrew Brudenell (01609 532386 or andrew.brudenell@northyorks.gov.uk) for further information or to reserve a place on an event.

9.0 Meetings Timetable

9.1 The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 6**.

10.0 RECOMMENDATIONS

10.1 Members are asked to note the contents of this report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

17 November 2015

Background documents: None

LATEST POSITION RE ADMISSION AGREEMENTS

Admission Agreement	Current Position / Action To Be Taken (If Applicable)
Scarborough BC Leisure Services to Sports and Leisure Management Limited	Certain parts of the Scarborough BC leisure services transferred to the contractor Sports and Leisure Management Limited on 1 October 2015. An admission agreement has been put in place to cover the staff who transferred under TUPE at that date.
City of York Council Leisure Services Outsourcing	The start date of this outsourcing arrangement has been delayed. An admission agreement will be put in place ahead of the transfer date when the full contract terms have been agreed.

LATEST ACADEMY ADMISSIONS

Original School Name	Date of Conversion/ Current Position	Academy Name After Conversion
Knavesmire Primary School (York) Millthorpe School (York) Scarcroft School (York)	Schools due to convert to academy status on 1 January 2016	To become part of the South Bank Multi Academy Trust
New Park Primary School	School due to convert to an academy on 1 December 2015	To become part of the Northern Star Academies Trust

NORTH YORKSHIRE PENSION FUND
Cumulative Total of Retirements from 1 April 2015 to 30 September 2015

<i>Employer</i>	<i>Normal</i>	<i>Ill-Health</i>		<i>Efficiency/ Redundancy/ Employers Consent</i>	<i>Total</i>
		<i>Actuarial Assumption[±]</i>	<i>Actual</i>		
001 - Fulford PC	1	-	-	-	1
007 - Scarborough BC	3	1	1	2	6
009 - Hambleton DC	2	1	-	2	4
010 - Ryedale DC	3	1	-	-	3
011 - Harrogate BC	10	2	-	11	21
012 - Richmondshire DC	4	1	-	-	4
013 - Selby DC	3	1	-	1	4
014 - Craven DC	4	1	-	-	4
015 - Welcome to Yorkshire	1	-	-	-	1
016 - York St John University	7	-	-	-	7
020 - York	40	7	1	13	54
025 - NYCC	153	22	1	31	185
051 - NY Fire and Rescue	3	2	2	-	5
055 - Uni of Hull	3	-	-	1	4
057 - Yorkshire Housing	6	-	-	-	6
062 - Craven College	2	1	-	-	2
068 - Scar 6 th Form College	1	-	-	-	1
074 - York College	4	-	-	4	8
076 - York Museums Trust	5	1	-	-	5
077 - Craven Housing	1	-	-	-	1
080 - Yorkshire Coast Homes	5	-	-	-	5
086 - Superclean	1	-	-	-	1
092 - Enterprise	1	-	-	-	1
098 - Harrogate Grammar	3	-	-	-	3
102 - South Craven School	1	-	-	-	1
105 - Rossett School	1	-	-	-	1
107 - St Aidan's High School	1	-	-	-	1
110 - Ringway	2	-	-	-	2
118 - Sheffield Int Venues	1	-	-	-	1
119 - Woodlands Academy	-	-	-	1	1
125 - Thomas Hinderwell Sch	1	-	-	-	1
126 - Robert Wilkinson Acad	2	-	-	-	2
128 - NY Police and Crime C	3	-	-	-	3
129 - NY Chief Constable	5	-	-	-	5
134 - Sewell Facilities Man	3	-	-	-	3
143 - Lifeways	1	-	-	-	1
Others		10			
TOTALS	287	51	5	66	358

(80%)

(2%)

(18%)

Quarter by quarter analysis					
Quarter 1	144		3	23	170
Quarter 2	143		2	43	188
Quarter 3	-		-	-	-
Quarter 4	-		-	-	-
	287	N/A	5	66	358

≠ **Estimated** actuarial assumptions re Ill-health numbers for the whole year - 2015/2016



Q&A for LGPS members

The New State Pension and National Insurance Changes

A new single tier, flat rate State Pension is being introduced for people who reach State Pension age on or after 6 April 2016. The new State Pension should help people better understand what they will get so that they can plan for their retirement. It will replace the existing basic and additional State Pension.

As a member of the LGPS you are currently 'contracted out' of the additional State Pension and therefore receive a rebate on your National Insurance (NI) contributions¹. This means that most members of the LGPS are currently paying a lower amount of National Insurance contributions. From 6 April 2016 you will no longer receive this National Insurance rebate which means you will start to pay a higher amount of National Insurance contributions.

It is important that as a member of the LGPS you understand that if you are eligible for the new State Pension you might not receive the full amount. This is because you have paid a lower amount of National Insurance in previous years.

You will, of course, continue to be entitled to your LGPS benefits. These will continue to be a very important part of your income in retirement, providing an excellent range of benefits including benefits for your loved ones.

This document has been produced to help LGPS members understand what the changes to the State Pension will mean for them.

[Q1 - Why is the State Pension changing?](#)

[Q2 – Who will receive the new State Pension?](#)

[Q3 – Why will I have to pay more in National Insurance contributions?](#)

[Q4 – How much more in National Insurance contributions will I have to pay?](#)

[Q5 – Will the benefits provided by the LGPS change because of this?](#)

[Q6 – I cannot afford to pay the extra National Insurance contributions. What can I do?](#)

[Q7 – Will I qualify for the full amount of the new State Pension?](#)

[Q8 – Will the new State Pension provide sufficient income in retirement?](#)

[Q9 - Where do I find out more information?](#)

¹ Provided you are under State Pension Age, have earnings over £112 p.w. / £486 p.m. (2015/16 figures) and you are not paying the Married Woman's / Widow's Reduced Rate of National Insurance contributions.

Q1 - Why is the State Pension changing?

A1. The Government's aim is to introduce a simpler, fairer system where people have a clearer idea about what pension the state will provide, making it easier to plan their retirement savings.

Q2 – Who will receive the new State Pension?

A2. You will be able to claim the new State Pension if you're:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

and, normally, have at least 10 years qualifying years on your National Insurance record.

If you reach State Pension age before 6 April 2016 you'll get your State Pension under the current scheme instead.

If you do not know what your State Pension age is you can use the [State Pension age calculator](#) to find out.

Q3 – Why will I have to pay more in National Insurance contributions?

A3. The current State Pension is made up of two parts: the basic State Pension and the additional State Pension (the additional State Pension is sometimes called State Second Pension or SERPS).

The LGPS is contracted-out of the additional State Pension. This means that during your membership of the LGPS you have been receiving a rebate on your National Insurance contributions and have not been building up additional State Pension. You have been building up pension benefits in the LGPS instead.

From 6 April 2016 the new State Pension will replace the existing basic and additional State Pensions with a single tier, flat rate State Pension. This will end contracting-out of the additional State Pension and so the rebate on scheme members' National Insurance contributions will cease.

Q4 – How much more in National Insurance contributions will I have to pay?

A4. The current National Insurance rebate is 1.4% of pay between certain thresholds. From 6 April 2016 you will no longer receive this rebate and will pay the standard rate of National Insurance. Below are some examples showing how much extra National Insurance contributions will be payable from 6 April 2016¹.

Earnings	National Insurance payable currently	National Insurance payable from 6 April 2016	Difference
£15,000 per year (£1,250 per month)	£58.66 per month	£69.36 per month	£10.70 per month
£27,000 per year (£2,250 per month)	£164.66 per month	£189.36 per month	£24.70 per month
£45,000 per year (£3,750 per month)	£307.65 per month	£347.56 per month	£39.91 per month

¹ The examples assume the individual is over 21 years, are based on the current NI thresholds (2015/16) and have been calculated using the calculator <http://nicecalculator.hmrc.gov.uk/Class1NICs1.aspx>

To find out how much more in National Insurance contributions you will be paying from 6 April 2016 you can use the contributions calculator <http://lgps2014.org/contcalc/>. This calculates the National Insurance rebate you are currently receiving; from 6 April 2016 this rebate will no longer be applicable.

Q5 – Will the benefits provided by the LGPS change because of this?

A5. There are no plans to change the benefits the LGPS provides as a result of the introduction of the new State Pension.

Q6 – I cannot afford to pay the extra National Insurance contributions. What can I do?

A6. The new State Pension will only provide a very basic level of income in retirement meaning that the LGPS will remain an important part of your retirement planning. Remember that you will continue to get tax relief on your pension contributions, as your contributions are deducted from your pay before you pay tax.

You have flexibility to pay less pension contributions, with the option to pay half your normal contributions in return for building up half your normal pension (although you still retain full life cover and ill health cover). This is known as the 50/50 section of the scheme and is designed to help members stay in the scheme, building up valuable pension benefits, during times of financial hardship.

The 50/50 section is designed to be a short-term option and your employer is required to re-enrol you back into the main section of the scheme every three years. This will be carried out in line with your employer's automatic re-enrolment date.

A 50/50 option form is available from your employer. Further information about the 50/50 section is available at <http://lgps2014.org/>

Q7 – Will I qualify for the full amount of the new State Pension?

A7. The new State Pension will be based on your National Insurance contributions record and a new minimum qualifying period will be introduced. People with no National Insurance contributions record before 6 April 2016 will need 35 qualifying years to get the full amount of new State Pension.

If you have paid into the LGPS between 6 April 1978 and 5 April 2016 and attain State Pension age on or after 6 April 2016 the amount of new State Pension you receive will be reduced, in respect of this period, to reflect the fact that you and your employer have paid a lower rate of National Insurance (due to the LGPS being contracted-out of the current additional State Pension). If this applies to you, you are unlikely to receive the full amount of the new State Pension, however, this will depend on your individual National Insurance record and how many qualifying years you have after April 2016.

The Government has confirmed the full amount of new State Pension will be no less than £151.25 a week. The actual amount will be set in autumn 2015.

For further information about the calculation of the new State Pension and for a definition of a qualifying year please refer to <https://www.gov.uk/new-state-pension/overview>

Q8 – Will the new State Pension provide sufficient income in retirement?

A8. The State Pension is intended to be only a part of your retirement income and will provide a very basic standard of living in retirement. It is important that you plan for your retirement, taking into account that:

- people are generally living longer so you're likely to spend more time in retirement
- you may want to retire before your State Pension age
- if you were a member of the LGPS prior to 6 April 2016 you may not qualify for the full amount of the new State Pension (see answer 7)

The LGPS will continue to be an important part of your retirement planning. For information about the benefits provided by the LGPS please visit: <http://www.lgps2014.org/> with respect of the LGPS in England or Wales, or <http://scotlgps2015.org/> with respect of the LGPS in Scotland.

Q9 – Where do I find out more information?

A9. More information about the new State Pension can be found at www.gov.uk/yourstatepension

If you are over age 55 you can request an estimate of the State Pension you will receive under the new system here www.gov.uk/state-pension-statement

A video about the new State Pension can be viewed here - <https://www.youtube.com/user/PensionTube>

PENSION FUND COMMITTEE RECORD OF TRAINING

Date	Title or Nature of Course	Bateman B	Blackie J	De Courcey-Bailey M	Harrison-Topham R	Mulligan P	Swiers H	Weighell J	Clark J	Steward C	Portlock D	Hazeldine B	Unison (Vacancy)	Unison (Vacancy)
19 Sept 2014	NYCC Investment Manager Meeting		✓	✓	✓	✓	✓	✓						
15-17 Oct 2014	NAPF Annual Conference & Exhibition	✓												
22 Oct 2014	LGPF Investment Forum	✓												
12 Dec 2014	NYCC Investment Manager Meeting	✓	✓	✓	✓	✓	✓		✓					
27 Feb 2015	NYCC Investment Manager Meeting	✓	✓	✓	✓	✓	✓	✓	✓					
11-13 Mar 2015	NAPF Investment Conference	✓	✓	✓		✓								
18-20 May 2015	NAPF Investment Conference	✓												
21 May 2015	NYCC Fixed Income Review I	✓	✓	✓	✓	✓	✓	✓	✓					
22 May 2015	NYCC Investment Manager Meeting	✓		✓	✓	✓	✓	✓						
9 July 2015	NYCC Fixed Income Review II		✓	✓	✓	✓	✓	✓	✓					
18 Sept 2015	NYCC Investment Manager Meeting	✓			✓	✓	✓	✓	✓					
14-16 Oct 2015	NAPF Conference	✓				✓	✓	✓						
17 Nov 2015	LGA Trustee Fundamentals										✓			

UPCOMING TRAINING AVAILABLE TO MEMBERS

<i>Provider</i>	<i>Course / Conference Title</i>	<i>Date(s)</i>	<i>Location</i>	<i>Theme / Subjects Covered</i>
LAPFF	Annual Conference	02–04 December 2015	Bournemouth	A Wide Variety of Investment and Governance Related Topics
PLSA	Trustee Conference	08 December 2015	London	Operational Challenges; Retirement Income Market Review; Regulator View of DB Funding Requirements
LAPF	Strategic Investment Conference	04 February 2016	London	Various Investment topics Aimed at Local Authority Investors and Their Advisors.
LGC	Investment Seminar	03-04 March 2016	Chester	To Be Confirmed
PLSA	Investment Conference	09-11 March 2016	Edinburgh	Key Investment Choices, Challenges and Changes Faced by Institutional Investors.
PLSA	Local Authority Conference	16-18 May 2016	Gloucestershire	To Be Confirmed

PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2015 AND 2016

<i>Meeting Date</i>	<i>Time & Venue</i>	<i>Event</i>	<i>Managers</i>
26 November 2015	10am, The Grand	Pension Fund Committee	Christofferson Robb & Company
27 November 2015	10am, Room 7	Investment Manager Meeting	Standard Life / Legal & General
25 February 2016	10am, The Grand	Pension Fund Committee	1 Managers TBC
26 February 2016	10am, TBC	Investment Manager Meeting	2 Managers TBC
19 May 2016	10am, The Grand	Pension Fund Committee	1 Managers TBC
20 May 2016	10am, TBC	Investment Manager Meeting	2 Managers TBC
07 July 2016	10am, The Grand	Pension Fund Committee	
21 September 2016	10am, The Grand	Pension Fund Committee	1 Managers TBC
22 September 2016	10am, TBC	Investment Manager Meeting	2 Managers TBC
24 November 2016	10am, The Grand	Pension Fund Committee	1 Managers TBC
25 November 2016	10am, TBC	Investment Manager Meeting	2 Managers TBC