

P/CPO/HR

Brian Town  
Head of Branch  
LGPD  
Zone 2/E7  
Ashdown House  
123 Victoria Street  
London  
SW1E 6DE

Mr M Woodall  
(01902) 554610  
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Dear Mr Town

Local Government Pension Scheme  
Aspects of Administration Communication and Deliver: A Discussion Paper

I refer to your letter dated 5 December 2003 regarding the above-mentioned matter.

I set out below the relevant comments of the West Midlands Metropolitan Authorities Pension Fund.

1. We support the emphasis placed in the document on the need for quality and regular communication, both with Scheme members and employers in membership of the Local Government Pension Scheme.
2. The ability of an Administering Authority to provide timely and accurate personal pension data to Scheme members depends, in its entirety, on employing authorities providing accurate and timely information to them.
3. Administering Authorities should, in the light of comment 2. above, pursue wherever possible electronic data exchange.
4. Pensions Administration work at an employer level may well be regarded as a Cinderella service, particularly where it forms part of the employee payroll service, since overall resource availability may lead them to give priority to payroll work in order to ensure employees are paid at the correct time. Pensions work may therefore be dealt with on, at best, a “when time permits” basis.
5. Improvements to the effectiveness of employer pensions administration will not be guaranteed by the imposition of fines for non-compliance.

6. Deadlines for action to be taken must be identified and imposed on employers with the administering authority having the right to carry out this work in cases of failure and charge the costs directly to the employer. We do not believe that an ability to levy those costs through increased employer's contribution rates will be effective, since in the case of large employers such as Councils the impact will not be felt.
7. We support the Regulatory requirement to issue Annual Benefit Statements. However, this Fund is currently able to despatch Annual Benefit Statements to approximately 83,000 of its 95,000 active members. Whilst the absence of a current known address is a significant issue, for the majority it is a matter of lack of confidence in the integrity of the data provided by the employing authority.
8. We note that since the transfer of pensions administration functions from County Boroughs etc, in 1974 and the utilisation of computerised pensions administration systems there has been a marked decrease in the level of Local Government Pension Scheme expertise at major employer level. It should be acknowledged that this is also an issue at administering authority level as a result of the implementation of sophisticated pensions administration systems. This Fund is approaching this problem by adopting a competency framework which impacts on salary rewards.
9. We note the comment regarding the impact on the need for employer involvement as a result of the introduction in a limited number of circumstances of systems dealing with hours worked by satellite staff. These systems tend to monitor people's attendance at work and rarely, if ever, form part of the payroll system from which pensions information must be derived. The Stocktake may wish to consider whether administering authorities should have a regulatory right to access of employer's accounting and payroll systems in order to obtain information themselves when it has not been provided by the employer.
10. We support the concept of benchmarking and the provision of performance management data for both administering and employing authorities as part of the Comprehensive Performance Assessment framework.
11. We acknowledge the importance of marketing membership of the LGPS to those eligible and the regulatory requirement for this should be shared between employing and administering authorities.
12. We support the notion of collaborative and partnership working. This is not just an issue for the smaller Funds, since we can all learn from the best practice being achieved elsewhere. You may be aware that this Fund has already entered into a partnership agreement with the London Pension Fund Authority on an information sharing and potentially sub-contracting basis. Whilst this is currently at an embryonic stage we anticipate significant benefits will accrue to both parties in the longer term.
13. A mechanism must be devised which ensures that employers (Councillors) are aware of the importance and regulatory requirements which surround pensions administration in order to ensure an adequate level of staff resourcing.

14. The concept of setting delivery targets is applauded. However, the previous comments in this letter identify the vital role that is played by employers in achieving that objective.
15. The achievement of delivery targets and overall performance cannot be informed by perception. To monitor these issues effectively must involve the use of sophisticated workflow systems and extensive use of information technology in general. It is disappointing to note that due to workplace cultural issues a number of administering authorities have workflow systems which they have not implemented in the live environment.
16. The need for the involvement of Pensions Committees in administrative matters is acknowledged. This Fund reports regularly to its Superannuation Committee regarding volumes of work processed and levels of work in hand analysed between active processes (i.e. in a position to complete) or pending (awaiting information from a third party).
17. As mentioned earlier, in an environment such as Pensions Administration, information technology is the key to cost-effective provision, utilising technology to undertake those processes and calculations where human intervention is not necessary at the earlier stages. This therefore releases staff resources to deal at stages where human intervention is necessary, e.g. checking etc. This Fund is currently pursuing an upgrade to its current computerised pensions administration system which will be fully Web-enabled, assisting in electronic data exchange and utilising address checking and optical character recognition processes.
18. This Fund has, for many years, had in existence a Service Level Agreement available to its major employers. To date none of those employers have felt able to adopt the Service Level Agreement and at the present time an administering authority has no power to impose or report on performance against that Agreement. A change to this situation would be extremely effective in improving the quality of pensions administration at employer level.

I trust that the contents of this letter will be taken in account when determining the outcome of this consultation procedure.

Yours sincerely

Mike Woodall  
Chief Pensions Officer