

Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

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Subject: Member early retirement pension estimates

Summary statement: A member of the pension board has requested an item to be included on the agenda to address the following statement: “the removal of estimates for members who are age 55 and above, which are no longer available on request, is proving problematic for members”.

Recommendation: That the Pension Board:

- acknowledges the workload caused by requests for early retirement pension estimates following changes to the pension regulations
- acknowledges the changes being implemented to the process for dealing with estimate requests
- notes the comprehensive information in the Annual Benefit Statements (ABS) which will go to all members next quarter
- and welcomes the planned review of working practices after the ABS exercise is completed.

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Director

Portfolio:

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Overview & Scrutiny Area:

1. Summary

- 1.1 WYPF have revised the working practices surrounding the provision of early retirement estimates (specifically), to enable it to prioritise those members who are intending to retire immediately, as opposed to those who have no immediate plans to retire.

2. Background

- 2.1 On average, over 22,000 pieces of work are handled by the Service Centre each month, of which in December 2018, 650 were estimates and 3157 were retirements.
- 2.2 In April 2014 the pension regulations changed and allowed members to take reduced retirement benefits from age 55. Amendments were needed to some functions of the pensions' administration system to accommodate the change, meaning employers were unable to produce their own pension estimates through the system. WYPF has always provided all age 65, redundancy and ill health retirement estimates for employers, using accurate pensionable pay provided by the employers. The changes resulted in an increase in the number of requests from employers for early retirement estimates.
- 2.3 Scheme members increasingly began asking WYPF directly for early retirement estimates rather than go through their employer. WYPF still had to request the pensionable pay from the employers, resulting in delays in both the provision of pensionable pay and the production of estimate calculations, as demand rose.
- 2.4 In July 2016 at the regular meeting between WYPF and the 5 largest employers of the fund, the estimate situation was discussed. Employers were concerned by the high volume of requests for pay that they were receiving from WYPF to calculate early retirement estimates, and consequent delays in the production of the estimates which they had requested, which they saw as a high priority, being for redundancy, ill health, etc.
- 2.5 WYPF, in turn, had issues with employers requesting estimates for individuals using multiple dates of possible retirement and multiple reasons for retirement. Some requests were also being received for dates so far in the future they would be affected by pay awards or the annual CPI adjustment, so the figures would be inaccurate. Meanwhile, the requests for estimates directly from scheme members continued to increase.
- 2.6 To keep urgent and relevant estimates being produced in a timely manner, WYPF and the large employers agreed the following solutions, on a trial basis:
 - Wherever possible, WYPF would refer the member to look at their last Annual Benefit Statement (ABS) as these provided relatively accurate figures and information of benefits to be paid, where the statement had been produced within the last 6 months.
 - Produce a modeller for our website which both members and employers could use to calculate an estimate. This would be subject to Civica being able to deliver.

- Stop producing estimates for different months within the same year where change to the benefits would be insignificant, and limit estimates to one a year per member (given they also receive an ABS).
- Employers stop requesting estimates for all 3 tiers under ill health – conditions of ill health retirement are clearly defined by tier, and tier cannot be selected based on the estimate.

2.7 At the October 2016 meeting with the larger employers, the estimate situation was reviewed. Aspects of the calculations within the system were still unreliable (the supplier was still working on a solution) so employers couldn't use it; the volume of estimate requests was still very high and causing turnaround delays; the employers were unhappy at the volume of pensionable pay requests being sent to them; the mooted introduction of an 'exit payments cap' by DCLG further complicated the situation which in turn resulted in WYPF being unable to produce estimates for retirement dates beyond the end of March 2017, when the changes were supposed to be introduced. To reduce the workload for employers, WYPF agreed to stop requesting pensionable pay from them, where the last pay figure on a members' record looked 'reasonable' to use in an estimate calculation.

2.8 In April/May 2017 WYPF began production of the ABS's. This prompted some members to ask for variations of estimates at different dates. In an effort to keep up with the demand for estimates, and to keep all other work areas in production, WYPF re-organised the staff within the Service Centre splitting them into different functionalization teams to strengthen work production in each subject area. This began in August 2017 and completed in October 2017.

2.9 On 14th May 2017, without any consultation, an amendment to the regulations was issued allowing deferred members to take reduced deferred benefits from age 55. Unsurprisingly, as soon as members were notified, requests for estimates flooded in. Within 2 weeks WYPF had received over 700 requests. A system was immediately set up to control this work. Members were sent a copy of their last ABS, and informed that it might be 3 months before we could provide an estimate due to the high demand. They were provided with examples of reduction percentages, suggesting that members apply these to their ABS figures to give them an idea of how much they were likely to receive.

2.10 In April 2018 we began the production of the active members ABS's. The number of requests for early retirement estimates was still increasing, as were the outstanding estimates for deferred members. A similar control was applied to the active member requests as the one applied to the deferred members from September. Active members were told that if they were intending to retire within the next 6 months they should request an estimate through their employer so that accurate pay could be used in the calculation. Depending on an individuals' circumstances, we have supplied the estimate on request.

2.11 Roughly 56,500 members were aged 55 plus in December 2018, about a quarter of all members. Given this number, WYPF has to manage the way work is dealt with, when demanded by members approaching WYPF directly to ensure those whose circumstances demand it receive the information in a timely manner.

2.12 Other administrators are in a similar position regarding increased and multiple requests from members directly, and some of them have introduced a charge after

one free estimate.

3. Recent Developments

- 3.1 In November it was announced that the Government Actuaries Department (GAD) were to issue new reduction factors around February/March 2019, affecting early retirement figures.
- 3.2 On 9th January 2019 the new factors were issued, but applicable from 8th January 2019. Retirements on the payroll being paid the following day had to be recalculated and the factors applied to the calculation system immediately. WYPF's in-house team were able to update the system within 2 days.
- 3.3 Production of ABS's commences in April 2019, which have been redesigned to provide retirement figures to the end of March 2019, at age 55 (or current age if over 55), at age 60 and at age 65.
- 3.4 Providing comprehensive information in the ABS should reduce the demand for estimates considerably, which will enable WYPF to respond to requests where a member is planning to retire in a timely manner.
- 3.5 WYPF will review its processes and practice in the light of experience after the ABSs have been issued.
- 3.6 A meeting took place between WYPF and Civica, the software supplier, on 26th February 2019 to review progress on the new Member Web, which will host a 'modeller' where members will be able to do their own retirement calculation. This should also reduce the need for member's to request estimates. This is expected to go live in the next quarter.

4. Recommendation

- 4.1 That the Pension Board:
 - acknowledges the workload caused by requests for early retirement pension estimates following changes to the pension regulations
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 - notes the comprehensive information in the Annual Benefit Statements (ABS) which will go to all members next quarter
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