

Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 13 September 2022

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Subject: Frozen Refunds

Summary statement:

Frozen refunds occur when members leave the pension scheme with an entitlement to a refund but have yet to claim payment.

The report updates the Local Pension Board on the work currently done by the pension fund in dealing with members who have unclaimed frozen refunds.

EQUALITY & DIVERSITY:

Not Applicable

Rodney Barton
Director

Portfolio:

[Insert where appropriate]

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Overview & Scrutiny Area:

[Insert where appropriate]

1. SUMMARY

- 1.1 Frozen refunds occur when members leave the pension scheme with an entitlement to a refund but have yet to claim payment.

2.0 Background

- 2.1 Members become entitled to pension benefits if they meet certain criteria. One of which is a minimum period of membership in the scheme in most circumstances. (This is also called the 'vesting period').
- 2.2 If a member leaves the scheme before meeting the criteria for entitlement to pension benefits they are only entitled to a refund of their pension contributions or, alternatively in some cases, a transfer value payable to another recognised pension scheme arrangement. There are certain other restrictions around re-joining the Local Government Pension Scheme that can extinguish the right to payment of a refund.
- 2.3 The minimum 'vesting' period of scheme membership has changed over the years when the Local Government Pension Scheme Regulations have been amended. The minimum period has alternated between 2 years or 3 months' membership. Some members have been protected under transitional regulations to allow them a choice of either refund or deferred benefits within specific periods and deadlines.
- 2.4 The Local Government Pension Scheme Regulations 2013 amended the minimum vesting period back to 2 years. And Regulation 18 (5) added a payment deadline for any refund where a member leaves after 31 March 2014.
- 2.5 Refunds where the member leaves after 31 March 2014 have to be paid from the pension fund by the earlier of 5 years of the date they left the pension scheme or the day before the member's 75th birthday.
- 2.6 For members who left the pension scheme before 1 April 2014 who are entitled to a refund of pension contributions the only payment deadline is the day before the member's 75th birthday.
- 2.7 A refund cannot be forced on a member. They have to claim the payment.
- 2.8 If a refund is not claimed when the pension fund informs the member of their options, it becomes a frozen (or 'deferred') refund. The pension fund continues to hold liability for the payment until it is claimed or paid out.
- 2.9 There are several reasons why a member might not claim a refund immediately including the possibility that they may re-join the pension scheme in the future which would allow the membership to be amalgamated. Members also change employment and address more frequently nowadays and the pension fund can lose contact with them.

- 2.10 The pension fund currently has a total of 12,290 unclaimed refunds. This can be broken down as follows:

Members who left before 01 April 2014 – 6,116.

Members who left after 31 March 2014 – 6,174.

3.0 Current Work Undertaken on Frozen Refunds

- 3.1 For frozen refunds where the member leaves the scheme after 31 March 2014 reminders are sent confirming the payment deadline and telling the member they need to take action.
- 3.2 The pension fund runs an individual trace using an automated tracing database, generally within 12 months of the payment deadline (either the 5 years from leaving the scheme or the member's 75th birthday) to try and ensure that we are sending reminders to the correct address. If a different address is identified, a general letter is sent asking for the member to contact us so that we can confirm personal data to ensure that we have found the correct individual.
- 3.3 If the refund is still not claimed by the prescribed deadline the pension fund makes the payment to a deposit account set up for the member. The payment includes any interest due (paid at a rate of 1% above base rate on a day to day basis calculated from the date of leaving the scheme to the date of payment). This payment to a deposit account means that the fund has discharged its liability.
- 3.4 When contact with the member is made the fund will close the deposit account and pay the balance to the member. At 31 July 2022 the pension fund had 1,474 deposit accounts open. In the period April to July 2022, 34 deposit accounts were closed.

OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

Sufficient resource to continue dealing with the clearance on an individual case by case basis as the pension administration team is currently doing.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

Failure to regain contact with members who have frozen refunds may impact the fund's data quality and cause more pension administration work in terms of trying to find them.

6. LEGAL APPRAISAL

None

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

None

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

None

7.3 COMMUNITY SAFETY IMPLICATIONS

None

7.4 HUMAN RIGHTS ACT

None

7.5 TRADE UNION

None

7.6 WARD IMPLICATIONS

None

**7.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS
(for reports to Area Committees only)**

None

7.8 IMPLICATIONS FOR CORPORATE PARENTING

None

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

None

10. RECOMMENDATIONS

The Local Pension Board note the report.

11. APPENDICES

None

