



Meeting:	Pension Board
Date:	13/02/2017
Title:	Retirement Benefit Processing Process
Purpose:	For information only
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Introduction

When a member terminates active membership of the Local Government Pension Scheme they become entitled to one of the following benefits:

- A refund of contributions
- A pension payable immediately
- A deferred pension

The benefits payable are dependent on the reason for terminating active membership and the member's pay and service details in the Scheme.

This report will focus on the processing of pension benefits payable immediately.

It is the responsibility of the Employer to inform the Administering Authority (Pension Section) if a member of staff terminates pensionable employment. It is then the responsibility of the Administering Authority to calculate these benefits correctly and in a reasonable time frame. For the process to work smoothly it is vital that a good working relationship exists between the Employer and the Administering Authority.

Role of the Employer

It is the responsibility of the Employer to inform the Administering Authority as soon as possible that an employee has terminated their employment. In order to do this a Termination Notice form (also known as a CT105 form) has to be completed.

This form records information such as:

- Employee personal details e.g. name, address, date of birth and National Insurance number.
- Date of termination.
- Reason for termination.
- Contributions paid.
- Full time equivalent pay to calculate final salary scheme benefits.
- Actual Pay for the last 2 years in order to calculate the CARE scheme benefits.
- Hours worked.

All this information will then allow the Administering Authority to calculate the benefits payable to the member.

It is important that every section of the form is completed as all the information is required in order to correctly calculate the benefits payable. Incomplete forms are returned for completion and this can delay the payment of benefits.

In some instances the Administering Authority will have to query information recorded on the termination notice as the information recorded do not always match the information we have received previously on the end of year returns. An early reply from the Employer is essential in order to process the benefits in a timely manner.

If this form is not completed, no benefits can be paid out to members who are retiring. Therefore it is vital that the Termination Notice is sent as soon as possible after the leaving date (or before the date if possible). If this form is not issued at the earliest time, not only will this delay any pension to be paid, but could also incur late interest payments (if the lump sum is paid a month late), the cost of which will be passed on to the Employer through the Valuation every three years, which could increase the Employer contribution rate.

Role of the Administering Authority

Details of the retirement benefits payable will be issued to a member within 10 days of receiving notification from the Fund Employer.

The details sent to members include a breakdown of the standard benefits payable and details on the maximum pension that could be converted to generate additional lump sum. In addition to the figures the member will also receive a retirement form that asks them to confirm:

- Employee personal details e.g. name, address, date of birth and National Insurance number.
- Marital status (and supply copies of relevant certificates)
- Bank details
- Lump sum conversion option
- Lifetime Allowance declaration

Once the member's option form and relevant certificates have been received, the lump sum payment will be made within 10 days and the member's pension will come into payment from the next available payroll period following the retirement date.

If the Administering Authority receives advance notification from the member or Employer of an imminent retirement, then an estimate will be prepared and sent to the member as soon as possible in order to give them time to complete the retirement forms in advance of their retirement. In these cases once the termination notice has been received the benefits would be put into payment immediately (provided that the retirement day has past).

Since the introduction of the Career Average Scheme in April 2014 members are now allowed to retire voluntarily from age 55 (compared to age 60 previously). This has resulted in a substantial increase in the requests for retirement estimates and processing of retirement benefits for the Administering Authority. Each case has to be calculated and checked before being sent out.

Reasons why payment could be delayed

Not all cases are paid out within the target set. Here are the main reasons for this:

- Incorrect information provided on the termination notice. On receipt of the termination notice a check is made with information previously received by the Employer. Any discrepancies or suspect information would be queried with the Employer. A number of reminders have to be sent in some cases before a reply is received back.
- Members who pay Additional Voluntary Contributions (AVCs) in their last month of employment will have to wait for the AVC contributions to be credited to their account with the AVC provider before any retirement benefits can be paid. We inform members before they retire that there will be a delay in paying their benefits and give them the option of stopping the AVC contributions early to minimise any delay – however the majority of members decide to carry on paying AVC contributions until the end.
- Since the introduction of the Career Average (CARE) scheme elements such as non-contractual overtime are pensionable element of pay. In most cases these pay elements are not paid to the member until the month following their retirement. Without knowing the amount paid to the member the Administering Authority are unable to process the benefits. Processing the benefits twice (i.e. adjusting the benefits once the extra payments are known) is not a viable option due to the resources required to recalculate, check and pay the revised benefits and the confusion it could cause.
- Forms not returned or completed incorrectly by members. Without a correctly completed form the Administering Authority will not have the full details required to process the retirement. Regular reminders are sent to members in these cases.

Member feedback

During the 1st September 2016 to 31st December period our member satisfaction survey results showed that 75% of the members who have replied strongly agree and 25% agreed that the time taken to deal with their enquiry was acceptable. Since sending satisfaction surveys in 2013 we have noticed that the majority of members have strongly agreed or agreed that the time taken to deal with their enquiry was acceptable. There have only been a handful of dissatisfied members who have complained to the Administering Authority via the feedback form – in looking at these cases, the delay in processing the benefits has always been on the side of the Employer.