

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	Pension Committee
Date:	07 April 2016
Subject:	Pension Administration Report

Summary:

This is the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund.

Yunus Gajra, the Business Development Manager from WYPF, will update the committee on current administration issues.

Recommendation(s):

That the committee note the report.

Background

1.0 Performance and Benchmarking

1.1 WYPF uses workflow processes developed internally to organise their daily work with target dates and performance measures built into the system. The performance measures ensure tasks are prioritised on a daily basis, however Team Managers have the flexibility to re-schedule work should time pressure demand.

1.2 The table below shows the performance against key areas of work for the period 1 November 2015 to 29 February 2016 as measured against both the local indicators and the national CIPFA benchmarks.

WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT
New starter set up*	16	5	8	85	50.00
Transfer In Quote	39	10	13	85	33.33
Transfer In Payment Received	31	10	29	85	93.55

Deferred Benefits Set Up on Leaving	503	10	224	85	44.53
Refund Quote	103	10	29	85	28.16
Refund Payment	32	5	23	85	71.88
Transfer Out Quote	90	10	3	85	3.33
Transfer Out Payment	11	10	9	85	81.82
Divorce Quote	32	40	32	85	100.00
Pension Estimate	317	10	252	85	79.50
Pension Set Up Payment of Lump Sum	73	3	68	85	93.15
Deferred Benefits Into Payment - Payment of Lump Sum	66	3	58	85	87.88
Death in Service Payment of Death Grant	1	5	0	85	0.00
Death of a Pensioner Payment of Death Grant	3	5	2	85	66.67
Payment of Beneficiary Pension	27	5	22	85	81.48
Potential Spouse Pension Enquiry	3	20	3	85	100.00
Initial letter acknowledging death of active/deferred/pensioner member	52	5	47	85	90.38

* - currently only includes those manually input – report being amended to include those automatically done through the portal.

1.5 Some cases have again exceeded the target days as expected and warned in the previous reports to the committee, primarily as a result of the continued ripple effect of the new scheme regulations, particularly where cases have had to be stockpiled awaiting GAD Guidance. This has been particularly true of the Transfer procedures.

2.0 Scheme Information

2.1 Membership numbers as @ 21/3/2016 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner
LGPS	24,301	27,616	1,635	18,235
Councillors	20	25	-	37
Totals nos	24,321	27,641	1,635	18,272
Change	+653	-322	0	-86

Membership numbers remain fairly stable.

2.2 Age Profile of the Scheme

STATUS	U20	B20 25	B26 30	B31 35	B36 40	B41 45	B46 50	B51 55	B56 60	B61 65	B66 70	O70	TOTAL
Active	462	1634	1659	2077	2478	3759	4197	3753	2746	1263	235	44	24307
Beneficiary Pensioner	90	32	1	1	7	13	40	71	148	190	271	1460	2324
Deferred	10	618	1689	2095	2271	3983	5611	6020	4283	957	35	12	27584
Deferred Ex Spouse	0	0	0	0	2	0	10	11	14	0	0	0	37
Pensioner	0	1	1	1	8	28	42	112	1136	4129	4681	5743	15882
Pensioner Deferred	0	0	0	0	0	0	1	0	3	0	0	0	4
Pensioner Ex Spouse	0	0	0	0	0	0	0	0	2	6	2	3	13
Preserved Refund	7	65	71	95	151	212	283	288	215	141	89	49	1666
Totals	569	2350	3421	4269	4917	7995	10184	10255	8547	6686	5313	7311	71817

2.3 Number of Employers

There were a total of 216 active Employers as at 29 February 2016. This included one new employer, Cherry Willingham Parish Council. There were no employers exiting the Fund.

3.0 Praise and Complaints

3.1 As part of the continued monitoring of the sections overall performance, WYPF sent out customer surveys to a sample of LPF members.

Over the quarter October to December we received **5** online customer responses.

Over the quarter October to December September **248** Lincolnshire member's sample survey letters were sent out and 27 (**33.87%**) returned:

Overall Customer Satisfaction Score for 2015

January to March	April to June	July to September	October to December
N/A	78.34%	83.94%	80.16%

Appendix A shows full responses.

4.0 Internal Disputes Resolution Procedures

4.1 Four appeals were received at stage 1, three against Employers and one against LPF.

4.2 During this period three decisions were made which were all turned down.

4.3 No appeals were received at stage 2 and no decisions were made.

5.0 Administration Update

5.1 Life Certificates

Work has started on issuing life certificates to all 18,000 pensioner members. The purpose is for members to confirm their continuing entitlement to a pension from LPF. The life certificates have started to go out on a weekly basis and will be scheduled to target everyone over the next twelve months.

5.2 Member Web

WYPF are piloting member online access whereby members will be able to access their pension information online.

They will be able to:

- Look at their pension record
- Make changes to personal information (i.e. address, death grant nomination etc)
- Request pension information
- Access annual benefit statements, read newsletters
- Access payslips.

Members will be contacted and asked to register for secure access.

5.3 LCC Data Issues

There are a number of issues that we have with the monthly data from Lincolnshire County Council:

- Monthly returns from LCC started coming in from January 2016, nine months late. Due to the quality of data received, each file is taking considerably longer to process than we would normally expect. We are currently processing November 2015 data.
- Timeliness of receiving the files has also been an issue - the January 2016 was not received until 3rd March, however it was due on 19th February.
- The quality of data we are getting is poor, we have received data for teachers / NHs staff etc and this is taking valuable process time to resolve.

- Our contacts at LCC / Serco have been very good and responsive, however the systems and resources they have to deal with pension queries is a concern. They are supportive, but they have a major uphill task as regards the system report and the quantity of errors on the report submitted.
- 5.4 In order to support with these late returns from LCC, we have made LCC the first priority our Finance Business Partners are working on. Any further delays would mean our other workloads will suffer as a result.
- 5.5 There are a number of data cleansing and validation checks that are carried out at each year end. These are detailed below along with the concerns that we have as a result of the LCC data submissions:
- Data verification checks for all our employers to ensure accurate posting of records and Annual Benefit Statement production. This takes about 2 weeks to 4 weeks for each employer. It may be impossible to conduct this for LCC, unless there is a considerable improvement in the data return activities.
 - As this is the first year of WYPF carrying out data returns for LPF, it is critical that all data is reconciled for the year end. This will require prompt submission of all data for 2015/16 from LCC.
 - As a valuation year, additional checks on cashflow need to be undertaken, comparing LPF records to summary reports on WYPF pension records. Again, this may be impossible. This may have an adverse impact on the valuation process, in terms of the volume of cashflow queries received from the Actuary.
 - This valuation is on the back of the low quality of data acquired from Mouchel. As minimum we need to check active member data, ensure that all deferred members are correctly identified and that the latest pay figures are correct on all members for LPF. Additional time taken in cleansing the LCC data submissions will impact the time available for all other checks.
- 5.6 We will continue to do our best to support and provide solutions, however we can only work to the speed and quality of records provided by Serco / LCC.

6.0 Current Issues

6.1 Cessation of Contracting out from April 2016

From 6 April 2016, the new single tier State Pension replaces the basic and additional State Pension for those who reach State Pension age after 5 April 2016, and the 'contracted-out' status for all LGPS members (not just those reaching State Pension age after 5 April 2016) will no longer exist. This means that they will no longer receive the National Insurance rebate and will pay a higher amount of National Insurance than in previous years (unless they are already over State Pension age or are one of the few members still paying the married woman's or widow's reduced rate of National Insurance).

6.2 Further information about the change is being communicated with an individual letter to be sent to all LGPS members with the Spring newsletter shortly. (Attached at Appendix B).

6.3 Changes to the Annual Allowance 2016

In the Summer Budget on 8 July 2015, the government announced significant changes to pension savings which will take effect from 6 April 2016. In particular, there will be changes made to the Annual Allowance which mean that certain employees may pay more tax. The main changes are:

- Lifetime Allowance – the total value of all of the pension savings built up by retirement before having to pay an additional tax charge will go down to £1million, from £1.25 million, from 6 April 2016.
- Annual Allowance – the upper limit on how much pension benefit you can build up in any one year without having to pay an additional tax charge – set at £40,000, falling to £10,000 from 6 April 2016 for those with income of more than £150,000.
- Pension Input Periods – to put these changes into place, the government has had to make some changes to the Annual Allowance in the 2015/16 year. The time your pension saving is measured over, for testing against the Annual Allowance, will end on 5 April each year instead of 31 March. Therefore, for 2015/16 the year will be split into two parts, each with different allowance limits.

6.8 Further information about the change is being communicated in our Spring newsletter, advising anyone who may be impacted to seek independent financial advice. (Attached at Appendix C).

7.0 Valuation.

7.1 Regulation 62 of the Local Government Pension Scheme Regulations 2013 requires the Administering Authority to obtain:

- An actuarial valuation of the assets and liabilities of each of its pension funds as at 31 March 2016 and on 31 March in every third year afterwards;
- A report by an actuary in respect of the valuation; and
- A rates and adjustments certificate prepared by an actuary.

7.2 The main aims of carrying out an actuarial valuation of the Fund are to:

- Review the financial position of the fund;
- Determine the employers contribution rates; and
- Ensure that the legal requirements in relation to the actuarial valuation are met.

7.3 Since the last valuation the scheme has moved from a final salary scheme to a career average scheme.

7.4 One additional requirement is that the Scheme Advisory Board has recommended that there be a requirement in the Regulations for the fund actuaries to calculate the funding level of the Fund as a whole, on a standardised basis, by 30 September in each valuation year.

7.5 An initial meeting was held in February with the Fund's actuary, West Yorkshire Pension Fund and Lincolnshire Pension Fund to discuss, among other things, the timetable of data submission to ensure all deadlines are met.

8.0 Finance

8.1 In July 2014 our shared service cost was estimated at £15.55 per member, for 2015/16. In January 2015, this figure was revised to £15.88 to take account of additional work that emerged during implementation and further work from new legislation. The latest forecast for 2015/16 financial year is £15.25. This takes account of all the additional work carried out for 2014/15 year-end returns, data cleansing work and extra system work that was not specified in the shared service requirements. However, number of members has increased from 66,695 from estimates to 71,817 as at 21st March 2016. This means total charge will be going up to £1,095,209.25.

	Unit Price		
Members Original Estimate		66,695	
Members Latest Count			71,817
Estimated price April 2014	£15.55	£1,037,107	£1,116,754.35
Original Estimate January 2015	£15.88	£1,059,117	£1,140,453.96
Period 6 Forecast September 2015	£15.78	£1,052,447	£1,133,272.26
Period 9 Forecast December 2015	£15.25	£1,017,098	£1,095,209.25

8.2 The table above demonstrates that unit cost has reduced due to service scale and efficiencies and we are funding all service improvements required for LPF out of shared services efficiencies. However, as we continued to deal with data and service issues for LPF we may have to bring in extra resources to deal with improvements and there may be the need to make specific charges to LPF.

Conclusion

WYPF and LPF continue to work closely as shared service partners to provide an efficient and effective service to all stakeholders within the Lincolnshire Pension Fund.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Survey Results - October to December 2015
Appendix B	Cessation of Contrating Out Letter
Appendix C	Draft Spring Newsletter

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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