

Regulatory and Other Committee

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

Report to:	Pension Committee
Date:	06 October 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 June 2016 to 31 August 2016 as measured against both the local indicators and the national CIPFA benchmarks.

KPI's for the period 1.6.16 to 31.8.16					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Transfer In Quote	14	35	9	85	64.29
Transfer In Payment Received	6	35	4	85	66.67
Divorce Quote	55	35	52	85	94.55
Deferred Benefits Set Up on Leaving	123	10	92	85	74.80
Refund Quote	117	35	46	85	39.32
Refund Payment	65	10	63	85	96.92
Transfer Out Quote	39	35	11	85	28.21
Transfer Out Payment	6	35	4	85	66.67
Pension Estimate	305	10	244	85	80.00
Retirement Actual	143	3	138	85	96.50
Deferred Benefits Into Payment	181	5	170	85	93.92
Death Grant Single Payment	18	5	18	85	100.00
Initial letter acknowledging death of active/deferred/pensioner member	133	5	131	85	98.50
Change of Address	625	20	623	85	99.68
Life Certificate Received	3986	20	3936	85	98.75
Death Grant Nomination Received	4746	20	2575	85	54.26
Payroll Changes	56	20	56	85	100.00
Change to Bank Details	81	20	75	85	92.59
Death Notificatoin	133	5	131	85	98.50
Potential Spouse	4	10	4	85	100.00
AVC In-house (General)	59	10	54	85	91.53
Letter notifying amount of dependant's benefits	56	3	49	85	87.50
Death in Retirement	129	5	102	85	79.07
Death in Service	1	5	1	85	100.00
Death in Deferment	8	5	7	85	87.50

2.0 Scheme Information

2.1 Membership numbers as @ 19 September 2016 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	24,116	27,298	3002	18,665	1,844
Councillors	17	26	1	38	-
Totals nos	24,133	27,324	3,003	18,703	1,844
Change	-886	-275	+1,084	+205	+119

The increase in 'Undecided' is as a result of identifying a number of leavers where we have not received any details from the Employers.

2.2 Age Profile of the Scheme

STATUS	Age Groups												TOTAL
	U20	B20 25	B26 30	B31 35	B36 40	B41 45	B46 50	B51 55	B56 60	B61 65	B66 70	O70	
Active	442	1624	1587	2092	2471	3615	4164	3759	2796	1287	232	47	24116
Beneficiary Pensioner	92	34	2	1	7	11	46	74	133	212	281	1479	2372
Deferred	4	528	1604	2093	2244	3775	5406	6105	4435	1024	32	9	27259
Deferred Ex Spouse Pensioner	0	0	0	0	2	0	11	9	13	1	0	0	36
Pensioner	0	1	1	1	8	23	40	109	1081	4211	4840	5963	16278
Pensioner Deferred	0	0	0	0	0	0	1	0	2	0	0	0	3
Pensioner Ex Spouse	0	0	0	0	0	0	0	0	2	7	3	3	15
Preserved Refund	13	93	71	105	161	227	296	316	245	160	104	53	1844
	551	2280	3265	4292	4893	7651	9964	10372	8707	6902	5492	7554	71923
Undecided													3002
Councillors													82
Total													75007

2.3 Employer Activity Between 1 March 16 and 31 August 16

Academy conversions:

	Effective Date
The Garth School	01/03/2016
The Priory School	01/03/2016
John Fielding Special School	01/03/2016
Spilsby Primary School	01/04/2016
Woodlands Academy	01/08/2016

New Prime Account Schools:

Whaplode Primary	01/04/2016
St Michaels Primary, Coningsby	01/04/2016
William Stukeley Primary, Holbeach	01/04/2016
Lacey Gardens Junior School, Louth	01/04/2016
St John the Baptist Primary, Spalding	01/04/2016
St Norberts Primary, Spalding	01/04/2016

Admitted employers:

GLL	01/04/2016
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Cessation:

Education Development Trust	31/08/2016
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Number of Employers in LPF

These changes to employers bring the total number of employers in LPF to 210.

3.0 Praise and Complaints

3.1 Over the quarter April to June we received 1 online customer response.

Over the quarter April to June 213 Lincolnshire member's sample survey letters were sent out and 23 (10.79%) returned:

Overall Customer Satisfaction Score;

April to June 2015	July to September 2015	October to December 2015	January to March 2016	April to June 2016
78.34%	83.94%	80.16%	80.34%	80.71%

Appendix 1 shows full responses.

3.2 Two training courses for Employers have been provided in Lincoln this year:

- Secure Administration held on 17 May
- A Complete Guide held on 16 June.

Feedback from participants is attached at Appendix 2.

4.0 Internal Disputes Resolution Procedures

4.1 All occupational pension schemes are required to operate an IDR. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the 'Adjudicator'). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered the Pension Fund Manager. Stage 2 appeals are considered by a solicitor appointed by Lincolnshire County Council. From 1 January 2016 to 30 June 2016 four Stage 1 appeals were received and there were a total of four Stage 2 appeals, as detailed below:

Jan 16 to June 16	Number of appeals	Outcomes	Details
STAGE 1	8		
AGAINST EMPLOYER	4	3 turned down	Member had been awarded an upgrade from Tier 3 to Tier 2 ill health pension but felt that this should have been backdated.
			Member appealed against employer decision to refuse to grant early release of deferred benefits. Appeal turned down as outside of time limit.

			Member appealed against employer decision to refuse to grant early release of deferred benefits and being misinformed that this would be possible.
		1 upheld	Member appealed against being turned down for payment of deferred pension on ill health grounds. As part of appeal process, member was reassessed and was awarded early release of pension.
AGAINST LPF	4	4 turned down	Member appealed against having to repay overpayment of pension.
			Widow of deceased member appealed against fund decision to pay death grant to the son and daughter of the member.
			Member wished to draw the whole of her pension rights as a lump sum payment and felt that WYPF retirement documentation had misled her in thinking she could do so.
			Member complained about the administration of processing her pension benefits and delays in concluding her award of benefits.
STAGE 2	4		
AGAINST EMPLOYER	4	3 turned down	Member had been provided with an estimate based on an incorrect higher pay figure. Resulting actual benefits were lower. Appeal turned down as the actual benefits were correct.
			Member had been provided with an estimate based on an incorrect higher pay figure. Resulting actual benefits were lower. Appeal turned down as the actual benefits were correct.
			Member appealed against being turned down for a late request to transfer in pension rights.
		1 referred back to scheme employer for reconsideration.	Member appealed against being turned down for a late request to transfer in pension rights. Referred back to scheme employer as the decision did not show any evidence of having met the requirements of the employers' discretionary policy.

AGAINST LPF	0		
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4.2 The Pensions Ombudsman can consider appeals and allegations of maladministration, once the two stages of the IDRPs have been exhausted. From 1 January 2016 to 30 June 2016 the Pensions Ombudsman did not issue any determinations in respect of appeals or complaints made against the LPF.

5.0 Administration Update

5.1 Life Certificates

As mentioned in the previous report, Life certificates are being issued to all 18,000 pensioner members. The purpose is for members to confirm their continuing entitlement to a pension from LPF. The life certificates started to go out from 21 March, on a weekly basis and will be scheduled to target everyone over the next twelve months. To date, we have issued 9,201 life certificates and 7,215 have been returned (78%).

5.2 Death Grant Nominations

WYPF have sent out death grant nomination forms to 12,000 members where one wasn't present on their record. Having nomination details makes it easier and quicker to pay death grants in the event of a member's death. As a result the percentage of records without a death grant has reduced from 65% to 44%.

5.3 Newsletter

The Autumn 2016 newsletter to active members is due to be posted out shortly. This includes an article on LPF's first ever annual meeting scheduled for 23 November.

Appendix 3 – Pensions Newsletter

6.0 Current Issues

6.1 Update on exit payment reforms

The introduction of the Government's policy which will require high earners (earning £80,000 or more) who leave employment in the public sector with an exit payment to repay the exit payment, or a proportion of it, if they return to public sector employment within 12 months, has been delayed.

The intention had been to implement the legislation in July 2016 to take effect in autumn this year. However, Parliament went into recess without the

appropriate legislation being made. It remains the goal of the Government to implement the proposals in autumn. However, this will depend on how quickly the legislation can be made following the return of Parliament on 5 September. Parliamentary time in September appears to be limited given that there will be a further recess during the party conference season.

The Government has also stated that it intends to implement the public sector £95,000 exit payments cap legislation in autumn.

6.2 Consultation on college insolvency regime

The Department for Business, Innovation and Skills (BIS) commenced a consultation in early July on the development of an insolvency regime for further education colleges and sixth form colleges. The consultation period closed on Friday 5th August.

It should be noted that the responsible department for this area of work has now changed to the Department for Education (DfE) following changes in departmental responsibilities made at the time of the Government re-shuffle in mid-July.

On 28th July, DfE attended a meeting with representatives of 13 LGPS pension funds to discuss the proposals and the possible impacts on the LGPS. DfE stated their view that whilst the proposed changes will provide for a formal framework via which a college's insolvency can be administered in the future, there will be no greater likelihood of a college becoming insolvent than there has been in the past. Indeed, in the view of the Government, the area review process currently ongoing should mean colleges should be financially more secure in the future.

In response, funds provided colleagues at DfE with a description of some of the issues associated with the participation of colleges in the LGPS, in particular in respect of:

- their ongoing financial security in the absence of a Government guarantee of colleges' pension liabilities, and
- the absence of colleges' engagement with LGPS pension funds in the area review process.

6.3 Club memorandum – calculating transfer on non-Club basis if advantageous to do so

Paragraph 2.3 of the Club memorandum grants schemes the power to substitute an individual's Club transfer service credit for a non-Club transfer service credit if this would be greater. This power is permissive meaning that DCLG can choose to allow for this paragraph to be applied, but can also decide that it should not be applied by funds.

Prior to April 2014, DCLG confirmed that funds could offer the better of a Club and non-Club service credit in a guidance note issued in November 2012. The note also contained guidance from GAD on when such a comparison should be triggered.

The LGA has confirmed that funds would need new guidance from DCLG on this matter in order to undertake this comparison taking into account the scheme's new career average structure. It was agreed at that time that until such guidance was issued funds should not apply that paragraph of the memorandum to Club transfers received.

DCLG are now considering what their policy is in respect of this issue and will discuss with GAD the requirements for a guidance note on the application of that paragraph to Club transfers.

6.4 Consultation – salary sacrifice for the provision of benefits-in-kind

Following the announcement in the 2016 Budget that the Government planned to undertake a consultation on limiting the range of benefits that attract income tax and NIC advantages, when provided via salary sacrifice schemes, HMRC commenced a consultation to take these proposals forward. The consultation period is due to close on 19th October 2016.

6.5 Online lifetime allowance service

HMRC have launched their new online lifetime allowance service for pension scheme members to apply to protect their pension savings from the lifetime allowance tax charge. This service replaces the interim paper process for applying for fixed protection 2016 (FP2016) and individual protection 2016 (IP2016) and replaces the online form for applying for individual protection 2014 (IP2014).

With the launch of the online service, HMRC will no longer process applications for lifetime allowance protection made using the interim process. Any applications made after the 31 July 2016 using the interim paper process will be returned

7.0 Valuation Update

7.1 Valuation data was uploaded on the Hymans data portal on the 11th August 2016. This information will enable them to produce both the whole of Fund valuation results and individual employers' valuation results.

7.2 This year was the first year valuation data was run using the Universal Data Extract, which had been agreed by the four Actuarial Firms advising LGPS Funds and the LGPS Software Suppliers. WYPF's software supplier Civica unfortunately did not issue the extract to gather all the appropriate information until rather late in the day, which also required several last minute fixes. These delays meant that as soon as the extracts were

produced, they needed to be immediately uploaded to Hymans data portal to enable the valuation timetable to be kept on track. Following a number of queries received from Hymans, they were supplied with a second active member data extract and additional reports were provided to help clarify some of the issues. One of the main reasons identified for the poor quality of the active member data was employers not sending the necessary leaver notifications when members ceased their participation in the Scheme.

7.3 Going forward we have identified several areas where we need to put action plans into place including:

- To Work with Civica to ensure they produce timely calculations and fixes to errors in future;
- Providing further support and regular reports to provide outstanding missing information. Regular reports to be supplied to work with employers to provide any missing information.
- Further ongoing cleansing of records transferred to WYPF from Mouchel.

8.0 Finance

8.1 Cost per member

The final cost of shared services per member for 2015/16 was £14.29, a reduction of £1.26 from the original estimate of £15.55. The 2016/17 original budget provision for shared services per member is £15.85 and the latest projection is £14.26.

8.1.1 Annual benefit statement for members (ABS)

ABS production deadline for members for the financial year 2015/16 was 31 August 2016. As of 31/08/2016, we produced 42,340 statements for members out of 45,711 members. This means 92.63% of LPF members have received their statements. Due to queries and record issues there are still 3,371 benefit statements to produce for LPF members. The table below gives more information.

BENEFIT STATEMENT PERFORMANCE 31ST AUGUST 2016		LPF
ACTIVES		-
Active at 31/03/2016 and Today		21,740
ABS produced		19,045
Still to produce		2,695
% produced		87.60%
% outstanding		12.40%

DEFERRED	
Count	23,971
DBS Produced	23,295
% produced	97.18%
% outstanding	2.82%

TOTAL	
Members count for benefit statements	45,711
Benefit statements produced by 31st Aug 2016	42,340
% produced	92.63%
% outstanding	7.37%

This is a big improvement on last year's production and we do not believe this is a 'material significance' and therefore do not propose to self-report to the Pensions Regulator. This information will however be recorded on our breaches Register.

9.0 Staffing

- 9.1 The vacant Pension Fund Representative post has been filled by an existing member of staff from Bradford. The postholder will split their time between Lincoln and Bradford.
- 9.2 The vacant Pensions Officer post has been filled by an internal applicant from Bradford Council. The postholder will be based in Bradford but will be attached to the Lincoln team.
- 9.3 A member of staff based in Lincoln who has been on long term sickness absence has decided to resign from her post. A recruitment exercise to replace her will commence in due course.

10. News

- 10.1 WYPF were winners of the 'Best Use of IT and Technology' award hosted by Professional Pensions. This is the second year running WYPF has won this award. In addition, WYPF recently won the 'LAPF's 'Large LGPS Fund of the Year' award. This is a very prestigious award and recognizes the hard work and contribution made by both pensions administration and investments staff.

10.2 National LGPS Framework

A multi provider framework agreement for the provision of third party administration services has been issued by Norfolk CC (on behalf of a number Authorities).

WYPF has put a submission in to get on the framework. Getting on the framework does not mean that we will automatically get new business. If successful, all it means is that other Pension Funds can ask us to provide pensions administration. We are confident that if successful, this would strengthen our existing partnership between WYPF and 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 - April to June 2016
Appendix B	Employer Feedback - April to June 2016
Appendix C	Member Newsletter - Autumn 2016

Background Papers

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

This report was written by Yunus Gajra, who can be contacted on 01274 432343 or yunus.gajra@wypf.org.uk.

