

Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection

Report to:	Pensions Committee
Date:	05 January 2017
Subject:	Pensions 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 1.9.16 to 30.11.16 -LPF					
WORKTYPE	TOTAL CASES	TARGET DAYS	TARGET	MINIUM	TARGET MET
		FOR EACH CASE	MET CASES	TARGET PERCENT	PERCENT
Transfer In Quote	53	35	31	85	58.49
Transfer In Payment Received	28	35	23	85	82.14
Divorce Quote	61	35	60	85	98.36
Deferred Benefits Set Up on Leaving	197	10	66	85	33.50
Refund Quote	136	35	98	85	72.06
Refund Payment	85	10	85	85	100.00
Transfer Out Quote	38	35	15	85	39.47
Transfer Out Payment	8	35	8	85	100.00
Pension Estimate	330	10	286	85	86.67
Retirement Actual	176	3	173	85	98.30
Deferred Benefits Into Payment	196	5	186	85	94.90
Death Grant Single Payment	32	5	31	85	96.88
Initial letter acknowledging death of active/deferred/pensioner member	160	5	158	85	98.75
Change of Address	1367	20	1361	85	99.56
Life Certificate Received	3956	20	3910	85	98.84
Death Grant Nomination Received	1331	20	1297	85	97.45
Payroll Changes	70	20	70	85	100.00
Change to Bank Details	51	20	51	85	100.00
Death Notificatoin	160	5	158	85	98.75
Potential Spouse	9	10	8	85	88.89
AVC In-house (General)	77	10	71	85	92.21
Letter notifying amount of dependant's benefits	56	3	45	85	80.36
Initial Letter Death in Retirement	139	5	103	85	74.10
Initial Letter Death in Service	4	5	4	85	100.00
Initial Letter Death in Deferment	9	5	8	85	88.89

2.0 Scheme Information

2.1 Membership numbers as at 22 December 2016 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	24,743	27,006	3,119	18,957	1,867
Councillors	14	30	0	38	-
Totals nos	24,757	27,036	3,119	18,995	1,867
Change	+624	-288	+116	+292	+23

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	493	1750	1655	2156	2587	3602	4238	3851	2836	1293	242	40	24743
Beneficiary Pensioner	90	42	2	1	4	14	46	70	130	224	283	1485	2391
Deferred	5	487	1576	2042	2211	3639	5345	6072	4522	1023	34	10	26966
Deferred Ex Spouse	0	0	0	0	2	0	12	9	12	4	0	0	39
Pensioner	0	1	1	0	6	21	43	114	1134	4235	4938	6055	16548
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	3	8	3	3	17
Preserved Refund	14	108	71	117	154	220	309	309	246	168	106	46	1868
	602	2388	3305	4316	4964	7496	9994	10425	8885	6955	5606	7639	72575
Undecided													3119
Councillors													82
Total													75776

2.3 Employer Activity

Academies and Prime Account Schools

Between 1 July 2016 and 30 September 2016 3 academies and 2 Prime Account Schools became Scheme employers in the Fund.

WYPF are currently working on 9 schools that are in the process of converting to academies or Prime Account Schools.

Town and Parish Councils

Between 1 April 2016 and 30 June 2016 no Town and Parish Council became Scheme employers. 3 have not yet decided whether to become Scheme employers in the Fund.

Admission Bodies

Between 1 April 2016 and 30 June 2016 the admission of no Admission Bodies were completed.

WYPF are currently working on the admissions for 7 Admission Bodies.

Employers ceasing Participation

Between 1 July 2016 and 30 September 2016 1 employer ceased its participation in LPF.

Number of Employers

These changes to employers bring the total number of employers in LPF as at 30 June 2016 to 235.

3.0 Praise and Complaints

3.1 Over the quarter July to September we received **2** online customer responses.

Over the quarter July to September **143** Lincolnshire member's sample survey letters were sent out and **18 (12.58%)** 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
83.94%	80.16%	80.34%	80.71%	79.55%

Appendix 1 shows full responses.

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 July 2016 to 30 November 2016 four Stage 1 appeals were received and there were a total of four Stage 2 appeals, as detailed below:

July 16 to Nov 16	Number of appeals	Outcomes	Details
STAGE 1	6		
AGAINST EMPLOYER	3	3 turned down	
			Member appealed against employer decision to refuse to grant early release of deferred benefits on ill health grounds.
			Member appealed against employer decision to refuse an ill health pension.

			Member was awarded deferred benefits but applied for ill health benefits to be backdated to date of leaving
AGAINST LPF	3	3 turned down	Member complained that he was not allowed to transfer out his benefits as he was outside time limits.
			Member was given an incorrect estimate which was higher than it should have been.
			Complaint against administration of pension benefits and delays in concluding award of benefits.
STAGE 2	4		
AGAINST EMPLOYER	3	1 turned down 2 referred back to Employer	Member was award tier 3 benefits and on termination has appealed that he should have been awarded tier 1 benefits.
			Member complained that Employer has not waived reductions to benefits according to their discretionary policy.
			Member turned down for ill health benefits.
AGAINST LPF	1		Complaint against administration of pension benefits and delays in concluding award of benefits. Excess time taken due to AVC's.

4.2 The Pensions Ombudsman can consider appeals and allegations of maladministration, once the two stages of the IDRP have been exhausted. From 1 July 2016 to 30 November 2016 the Pensions Ombudsman issued one determination against LPF for maladministration. They have instructed LPF to pay compensation of £750 for maladministration. The complaint resulted around a refusal to allow a transfer out of the LGPS and the time limits around when this had to be done by.

5.0 Administration Update

5.1 Life certificates - are still being returned to us. There has been a good response with only two people refusing to complete them.

- 5.2 Death Grant Nominations - The number of death grant nomination for LPF members is around two thirds now with some nominations still coming in. The exercise has now been rolled out to pensioner members and so far 40% have been returned.
- 5.3 The National Fraud Initiative has helped to identify £939 million worth of fraud, overpayment or error across UK public bodies since 1996. Under the initiative, public agencies and local authorities 'share and compare' information they hold, and when fraud is detected, it's investigated, often by the police. WYPF take part in the NFI and pensioners were notified of this in the autumn newsletter.
- 5.4 Information was provided to the NFI for LPF Pensioners, dependants (for the first time) and dependants on 19th October. Results are expected shortly.
- 5.5 Tell Us Once – This is up and running and we receive 15-20 notifications of death per week.
- 5.6 Annual Benefit Statements - Work on this continues. 8% of LPF members have not had an ABS due to errors on records. Fire ABS work is ongoing. Testing is currently taking place and we hope to meet the revised deadline of 31 December, even though we only received the year end return from Lincolnshire Fire last week (second attempt).

6.0 Current Issues

- 6.1 Consultation on indexation and equalisation of GMP in public service pension schemes

On 28 November, HM Treasury commenced a consultation that proposes options for the indexation of GMP elements for members of public service pension schemes who will reach SPA on and after 6 December 2018.

On 6 April 2016 the government introduced the new State Pension, designed to radically simplify pension provision whilst ensuring that pensioners have security in retirement. This simplification removed layers of complexity from the system, harmonised the rate of National Insurance contributions paid by employees and employers and was intended to promote private saving by giving people a better understanding of the amount of support they can expect to receive from the State when they reach State Pension age.

Among the layers of complexity that has been removed is the Additional State Pension (AP), an earnings related element of the old state system.

The removal of AP has led to the need to consider how public service pension payments for a specific group of members should be increased in the future. Those who were in 'contracted-out' employment during the period 6 April 1978 to 5 April 1997 (inclusive) who accrued a guaranteed minimum

pension (GMP) from their public service pension scheme and who will reach SPA after 5 December 2018 will be affected.

The consultation aims to consider two issues by putting forward a number of solutions. The two issues that are considered are:

1. How best to avoid the unequal payments to men and women in public service schemes that result from the abolition of AP? and
2. Whether, following the introduction of the new State Pension, public service pension schemes should, for someone who reaches SPa after 5 December 2018, provide full indexation on any GMP the public service pension scheme pays?

The consultation document is on the Drafts and Consultations page of www.lgpsregs.org and the consultation period closes on 20 February 2017.

6.2 Government consultation covering the increases to Public Service Pensions for those reaching SPA beyond 5 December 2018

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6.3 Salary sacrifice

Following the Government consultation undertaken earlier this year on limiting the salary sacrifice benefits that achieve tax and National Insurance advantages, the Chancellor confirmed in the statement that the Government plan to proceed with the changes.

Under the reforms, childcare vouchers/workplace nursery provision, the Cycle to Work scheme, pensions (including advice) and ultra-low emission cars will retain their tax and NI advantages but most other benefits will lose these.

Most of the reforms will come into effect in April 2017, although arrangements already in place before April 2017 will maintain the advantages until April 2018, and arrangements for (non ultra-low emission) cars, accommodation and school fees will keep the advantages until April 2021.

6.4 Consultation on tackling pensions scams

The Government also announced that they plan to undertake a consultation before the end of the year on steps to tackle pension scams, including ending 'cold calling'. In addition, the consultation will contain options for giving schemes greater power to block suspicious transfers.

6.5 Termination payments

As announced at Budget 2016, from April 2018 termination payments over £30,000, which are subject to income tax, will also be subject to employer NICs. Following a technical consultation, tax will only be applied to the equivalent of an employee's basic pay if their notice is not worked, making it simpler to apply the new rules. The government will monitor this change and address any further manipulation. The first £30,000 of a termination payment will remain exempt from income tax and National Insurance.

6.6 Exit payments

Exit payment recovery – delay in implementation

The Small Business, Enterprise and Employment Act 2015 makes provision for the introduction of the recovery of public sector exit payments in certain situations.

Under the reforms, when a person leaves a relevant public sector employment with a salary of £80,000 or higher and subsequently re-joins another part of the public sector within 12 months, they may have to pay a proportion of the exit payments they received back to their prior employer.

It was expected that the reforms would take effect from April 2016. However, the regulations have since been delayed a number of times. We understand the Government hope that the regulations will pass through both Houses of Parliament before the end of the year, coming into force early in 2017. The regulations are subject to the affirmative process and must be passed by resolutions of both Houses before they can become law.

6.7 Exit payment cap

The introduction of the exit payment cap has been subject to delays following the Enterprise Act 2016 gaining Royal Assent in May. When introduced, the cap will restrict the total exit payments made in respect of an individual's exit from a public sector employment to a total of £95k. LGPS strain payments resulting from redundancy pensions being put into payment will be included in the cap. Before the cap becomes law, there will be a further consultation on the regulations that will govern the cap. We understand the government hope to commence this consultation in early 2017, with a view to the exit payment cap becoming effective soon after.

We also await Treasury directions which will provide detail on the circumstances in which the cap may be relaxed by permitted bodies (guidance on the relaxation will be prescriptive rather than permissive in so much that it will set out a list of situations an authority may be able to consider a waiver rather than a discretion).

The exit payment cap regulations are subject to the affirmative process and must be passed by resolutions of both Houses of Parliament before they can become law.

6.8 DCLG publication of late retirement guidance

On 4 October 2016, DCLG published new late retirement actuarial guidance for the LGPS in England and Wales. The effective date for the new guidance is 4 January 2017 and all late retirements taking place from this date onwards should be calculated using the factors contained in the new guidance.

6.9 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 [SI 2016/946] and DCLG guidance on preparing and maintaining an investment strategy statement

On 23 September the above regulations were laid before parliament effective from 1 November 2016. The regulations revoke and replace the

LGPS (Management and Investment of Funds) Regulations 2009 (with some transitional provisions). The regulations facilitate the pooling of investment funds and introduce:

- A requirement to publish an investment strategy no later than 1 April 2017 in accordance with guidance issued by the Secretary of State.
- A power for the Secretary of State to intervene where an authority fails to comply with its statutory obligations as regards its pension fund or were it fails to act in accordance with guidance.

On 15 September DCLG published its [guidance](#) to assist administering authorities in the formulation, publication and maintenance of their Investment Strategy Statement (ISS). The new ISS is required by regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016. An administering authority's duty to prepare, maintain and review their funding strategy statement under Regulation 58 of the LGPS (2013) Regulations is unaffected.

Earlier this year, an e-petition was set up on the Government website in response to the consultation on the new investment regulations for the LGPS in England and Wales, which was underway at the time. The e-petition set out concerns about:

- the proposed Government intervention power in scheme investments,
- the requirement for an improved capacity for investment in infrastructure, and
- ensuring that investments be made in the interests of scheme members.

As the e-petition succeeded in getting over 100,000 signatures, the Government granted a debate on the subject and this debate was held on 24 October 2016.

On 25 October, MPs from the Labour Party submitted an Early Day Motion (EDM) praying that the LGPS (Management and Investment of Funds) Regulations 2016 [SI 2016/946] be annulled. It is understood that the Early Day Motion has been submitted because of similar concerns to those that gave rise to the e-petition (as detailed above). Historically, it is very rare that an EDM to annul a statutory instrument is successful. Albeit the EDM has so far, attracted 85 signatures.

6.10 Government drops plan to convert all schools to academy status

It was reported on 27 October 2016 that the Government had dropped its bill to require all schools in England to convert to academy status by 2022.

The Government are still of the view that schools would benefit from the freedom and autonomy that academy status brings, but they will now focus their efforts on encouraging schools to convert voluntarily. No new primary legislation is needed for this purpose.

6.11 Scheme Advisory Board (SAB) (England & Wales) – implications for the LGPS of a significant increase in academy employers.

The Scheme Advisory Board has commissioned PWC to investigate the implications for the LGPS of a significant increase in academy employers and to develop options to manage to those implications. They will present their findings to the SAB in March 2017 in the form a comprehensive report covering the administrative, actuarial, legal and investment issues relating to the implications identified and options proposed.

Between now and the end of the year PWC will be looking to engage with stakeholders, including administering authorities, to gain their input. As part of their engagement PWC held a voluntary session at the Pensions Managers Conference in Torquay, providing an ideal opportunity for administering authorities to contribute.

6.12 Publication of September 2016 CPI rate

On 18 October 2016, the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2016 was 1.0%.

We await confirmation from the Government in due course that revaluation and pensions increase for April 2017 will apply to Fire pensions at a rate of 1.0%.

6.13 National Framework for Third Party Administration

WYPF have been selected for the National LGPS Framework for both Lots 1 (Pensions administration services) and Lot 2 (Pension Administration support services). If we get new business as a result, then we will look at our current branding to come up with a new name for us.

7.0 Finance

7.1 Cost per member

Shared service cost per member 2016/17 £13.76 (£15.45 for 2017/18 initial budget)

The projected shared service pension admin cost per member of £13.76 will be used to recharge LPF. Our cost target for shared service pension admin is to maintain a cost target of £17. The initial budget for 2017/18 Pension Admin shared services of £8.86m less £0.5m contingency will give us a projected cost of £14.91 per member for 2017/18. Our projected cost per member is below our target cost of £17.

8. News

8.1 LGC Investment awards

WYPF received a high commendation in the Best Collaboration category at this year's LGC awards held on 9 November at One Great George Street, London. The winners in this category were Project Pool.

WYPF were also shortlisted in five other categories.

Pension Age Awards have also shortlisted WYPF under the following categories:

DB Pension Scheme of the Year
Pension Scheme Communication Award
Pension Administration Award

The Pensions Age Awards will be held on 23 February 2017 at the London Marriott Hotel, Grosvenor Square.

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.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Survey Results – July to September 2016

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

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

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