

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

Report to:	Lincolnshire Pension Board
Date:	25 July 2017
Subject:	Pensions Administration Report

Summary:

This is the quarterly report written by the Fund's pension administrator, West Yorkshire Pension Fund, to update the Board on current administration issues. As requested by the Board, Representatives of WYPF will present to the Board on the Internal Dispute Resolution Process (IDRP) and complaints process followed, in respect of the Pensions Administration service.

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 February 2017 to 31 May 2017.

LPF - KPI's for the Period 1.2.17 to 31.5.17					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Transfer In Quote	165	35	162	85	98.18
Transfer In Payment Received	130	35	128	85	98.46
Divorce Quote	215	35	214	85	99.53

Divorce Settlement – Pension Sharing order Implemented	11	80	11	100	100.00
Deferred Benefits Set Up on Leaving	1610	10	1190	85	73.91
Refund Quote	503	35	485	85	96.42
Refund Payment	888	10	885	95	99.66
Transfer Out Quote	137	35	132	85	96.35
Transfer Out Payment	73	35	73	85	100.00
Pension Estimate	2922	10	2784	75	95.28
Retirement Actual	1100	3	1051	90	95.55
Deferred Benefits Into Payment Actual	890	5	861	90	96.74
Death Grant Single Payment	338	5	332	90	98.22
Payment of Beneficiary Pension	384	5	349	85	90.88
Potential Spouse Pension Enquiry	74	10	63	85	85.14
Initial letter acknowledging death	1132	5	1113	85	98.32
Change of Address	3659	20	3650	85	99.75
Life Certificate Received	4957	20	4901	85	98.87
Death Grant Nomination Received	3940	20	3924	65	99.59
Payroll Changes	2284	5	2231	90	97.68
Change to Bank Details	845	5	725	90	85.80
Death Notification	1132	5	1113	90	98.32
AVC In-house (General)	586	10	573	85	97.78
Initial Letter Death in Retirement	685	5	602	85	87.88
LPF - KPI's for the Period 1.2.17 to 31.5.17					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Initial Letter Death in Service	19	5	19	85	100.00
Initial Letter Death in Deferment	39	5	34	85	87.17
Deferred Benefits Into Payment Quote	555	35	502	85	90.45

Retirement Quote	1041	10	927	85	89.05
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Reasons for underperforming KPI's:

Deferred Benefits set up on leaving	Given low priority due to volumes. Members are however, informed in writing that they will receive details of their benefits as soon as possible.
Change to Bank Details	120 cases done outside time limit of 5 days, however they were all actioned before payroll was processed so payments were paid to the correct bank account.

2.0 Scheme Information

2.1 Membership numbers as at 28 June 2017 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	24,872	26,737	3,263	19,463	2,025

Councillors	9	34	0	40	-
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Totals	24,881	26,771	3,263	19,503	2,025
Change	+62	-144	+144	+350	+101

2.2 Age Profile of the Scheme

Status	Age Groups												TOTAL
	U 20	20- 25	26- 30	31- 35	36- 40	41- 45	46- 50	51- 55	56- 60	61-65	66- 70	70+	
Active	436	1745	1643	2198	2600	3484	4351	3887	2850	1399	239	40	24872
Beneficiary Pensioner	88	44	2	1	4	18	42	71	128	237	305	1495	2435
Deferred	1	441	1501	2065	2188	3339	5326	6056	4577	1158	34	9	26695
Deferred Ex Spouse	0	0	0	0	3	1	10	13	10	1	0	0	38
Pensioner	0	0	2	0	6	20	42	109	1086	4383	5027	6336	17011
Pensioner Deferred	0	0	0	0	0	0	1	0	2	1	0	0	4
Pensioner Ex Spouse	0	0	0	0	0	0	0	0	2	8	4	3	17
Preserved Refund	40	153	96	121	162	226	309	322	261	169	116	50	2025

January to March 2016	April to June 2016	July to September 2016	October to December 2016	January to March 2017
80.34%	80.71%	79.55%	77.22%	87.07%

Appendix 1 shows full responses.

3.2 Employers Survey

WYPF undertake an annual survey amongst the Employers to gauge the level of satisfaction by the service provided by WYPF and also to identify any areas for improvement.

Appendix 2 shows full responses.

3.3 Employer Feedback from workshops

Two workshops were held in the last quarter:

Pensionable Pay

A complete guide to administration

Feedback from participants is shown at Appendix 3.

4.0 Internal Disputes Resolution Procedures

- 4.1 All occupational pension schemes are required to operate an IDRP. 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 February 2017 to 31 May 2017 seven Stage 1 appeals were received and there were a total of two Stage 2 appeals, as detailed below:

1 February 17 to 31 May 17	Number of appeals	Outcomes	Details
STAGE 1	7		
AGAINST EMPLOYER	5	2 turned down	

		Turned down	Member appealed against being turned down for payment of deferred benefits on ill health grounds.
		Turned down	Appeal against being refused an ill health pension.
AGAINST LPF	2	1 turned down and 1 upheld.	
		Turned down	Appeal against refusal to offer transfer out of benefits.
		Upheld	Appeal against service used in benefit calculation. Extra service granted.
STAGE 2	2		
AGAINST EMPLOYER	1	Turned down	Appeal against refusal to offer transfer out of benefits.
AGAINST LPF	1	Referred for another medical appointment	Appeal against refusal to pay deferred benefit on ill health grounds.

4.2 The Pensions Ombudsman can consider appeals and allegations of maladministration, once the two stages of the IDRP have been exhausted. From 1 February 2017 to 31 May 2017 there was one appeal regarding the non-payment of a pension to a partner. We are awaiting a decision from the Pensions Ombudsman.

5.0 Administration Update

5.1 Life Certificates were issued to 16,671 pensioner members, 16,323 have been returned representing 97.91%. 12 pensions were suspended due to non-return of the life certificates. 49 pensions are currently paid to deposit accounts whilst further enquiries are being made.

5.2 Annual Benefit Statements - ABS production has started with 8,252 statements produced and printed (35.4%) to date.

6.0 Current Issues

6.1 Publication of new transfer factor suite
Following the updates made to the Club memorandum in February 2017 (effective 1 March 2017), DCLG issued an updated transfer factors suite for the LGPS in England & Wales on 23 March.

6.2 Tax on interest for late payment of pension benefits

LGA have advised that although such payments are subject to income tax, administering authorities must not deduct this tax (because section 371 Income Tax (Trading and Other Income) Act 2005 places liability for income tax charged on interest on the person receiving or entitled to the interest). Instead, administering authorities must advise the member that they are responsible for accounting for the tax on the interest payment themselves and, accordingly, they should declare the payment to HMRC.

6.3 Annual update bulletin and maximum additional pension

On 22 March, the LGPC Secretariat published the 2017 annual update bulletin (bulletin 155) which sets out the rates and bands applicable from April 2017 for various purposes.

It should be noted that the maximum additional pension that may be bought by, or on behalf of, an individual under regulation 16 of both the LGPS Regulations 2013 and the LGPS (Scotland) Regulations 2014 is not changing in April 2017. This is a consequence of last year's pensions increase applying at a rate of 0%.

The additional pension limit will therefore remain:

- £6,755 for the 2017/18 scheme year for the LGPS in England and Wales, and
- £6,500 for the 2017/18 scheme year for the LGPS in Scotland.

6.4 Exit payment cap – Enterprise Act 2016 commencement order

On 24th January, HM Treasury issued SI2017/70, the Enterprise Act 2016 (Commencement No. 2) Regulations 2017, effective from 1st February 2017.

The regulations commence certain parts of the Enterprise Act 2016 including changes to the Small Business, Enterprise and Employment Act 2015, which enable the £95k exit payment cap to be introduced. However, the commencement order does not itself bring the exit payment cap into effect, but merely allows the Government to make regulations providing for the introduction of the cap.

The LGPC Secretariat remain of the understanding that HM Treasury plan to undertake a further consultation on draft regulations covering the cap before this becomes effective.

6.5 Overseas Transfer charge

In the Spring Budget 2017, the Government announced the introduction of an overseas transfer charge. This charge is intended to support the government's objective of promoting fairness in the tax system. It continues to allow overseas transfers from registered pension schemes that have had UK tax relief, that are made when people leave the UK and take their pension savings with them to their new country of residence.

The new measure ensures that transfers to QROPS (Qualifying Recognised Overseas Pension Schemes) requested on or after 9 March 2017 will be subject to a 25% overseas transfers charge unless, from the point of transfer, both the individual and the pension savings are in the same country, both are within the European Economic Area (EEA) or the QROPS is provided by the individual's employer. If this is not the case and/or the individual does not provide the necessary information, the overseas transfers charge will apply.

It also widens the scope of UK taxing provisions so that, following a relevant transfer to a QROPS on or after 9 March 2017, the overseas transfer charge may apply to an onward transfer payment out of those funds (on or after 6 April 2017) in the five full tax years after the date of the original transfer, regardless of where the individual is resident.

6.6 2016 LGPS annual report

The 2016 annual report for the English and Welsh scheme has been published.

The report is foremost a compilation of each of the 91 funds' individual reports. However, the report also includes analysis of scheme trends at a national level and, this year, a summary of the 2016 fund valuations.

Some of the key highlights of the report are listed below:

- The total membership of the LGPS grew by 134,000 (2.5%) to 5.3m members in 2016 from 5.2m in 2015 and number of LGPS employers increased by 2,635 (22%) to 14,435.
- The total assets of the LGPS held at £217bn. These assets were invested in pooled investment vehicles (43.6%), public equities (34.6%), fixed interest/index linked (7.5%), property (7.8%), as well as other asset classes (6.5%).
- The net return on investment over 2015/2016 was +0.1% compared with +12.1% in 2015. The 2016 figure reflecting less favourable market conditions than in 2015.
- The scheme remained in a cash-flow positive position in 2016, including investment income.
- As at 31 March 2016, the LGPS liabilities were estimated at £254bn indicating an overall funding level of 85%, increased from 79% at 31 March 2013. The increase in the funding level means there was an overall reduction in the cash deficit from £47bn in 2013 to £37bn in 2016.

The full report is available at www.lgpsboard.org under Scheme Annual Report 2016.

6.7 Publication of PwC academies report

The SABEW (Scheme Advisory Board for England and Wales) have published the PwC report, "Options for Academies in the LGPS", on their

website. The report was commissioned by the SABEW in 2016 to look into the issues associated with the participation of academies in the LGPS.

Publication of the report will enable the Board to engage with key stakeholders including pension funds, actuarial firms and academy trusts as appropriate on the issues raised by those interviewed by PwC. The Board will continue to gather relevant evidence and then develop specific proposals for change.

6.8 Launch of pensions dashboard prototype

As reported previously, in the 2016 Budget the Government announced that it intended to ensure that the pensions industry would, by April 2019, design, fund and launch a 'pensions dashboard', a tool that would allow individuals to view all their pensions savings in one place.

In Autumn 2016, HM Treasury appointed the Association of British Insurers (ABI) to lead the development of a prototype pensions dashboard by the end of spring 2017. A project group was created to assist the ABI with this.

During April and May, the project group have launched the prototype at a number of events held around the country. A website has also been set up to demonstrate the prototype and how it works - <https://pensionsdashboardproject.uk/>.

Whilst the prototype demonstrates that the Dashboard is possible from an IT perspective, the major questions regarding the Dashboard remain outstanding, including:

- Mandation – will legislation be issued that requires pension schemes to participate?
- Funding – how will the costs of establishing and maintaining the Dashboard be met?
- Data – what data will members be able to find on the Dashboard and what will be the security arrangements to ensure the data is not compromised?
- Governance – who will regulate the Dashboard on an ongoing basis?

On 17 May, the ABI announced an interim phase of the Dashboard project in order that this does not lose momentum whilst the general election is taking place. The interim phase has four main aims:

- To establish a cost benefit analysis for the wider industry.
- To research customer needs and establish what features people are likely to find most useful in a dashboard.
- To establish the requirements and costs for a secure end-to-end service between data providers and data consumers.
- To further develop the technical data standards for all firms and work with PASA (the Pensions Administration Standards Association) on

agreeing a Code of Conduct in line with requirements from The Pensions Regulator.

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 shared service pension admin cost per member of £13.76 has been 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 Awards

WYPF were winners of the Best DB Scheme Innovation award at the Professional Pensions Pension Scheme of the Year Awards held on 27 June in London. WYPF were also shortlisted in the following categories:

Best Administration
Best DB Communications
Public sector Scheme of the Year
Trustee Development
Best Administration

9 Presentation from WYPF

9.1 Tracy Weaver and Omaira Deen, representatives from the WYPF Technical Services Team, will present to the Board on the Internal Dispute Resolution Process (IDRP) and complaints process followed, in respect of the Pensions Administration service.

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 1	Customer Survey Results
Appendix 2	Employers Survey
Appendix 3	Feedback Summary

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.

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