

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

Report to:	Pensions Committee
Date:	5 October 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 2017 to 31 August 2017.

LPF - KPI's for the Period 1.6.17 to 31.8.17					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
AVC In-house (General)	95	10	94	85	98.95
Age 55 Increase LG	1	20	1	85	100
Article 4 Payment Death LG	52	10	50	85	96.15
Article 4 Payment Own Right LG	24	10	20	85	83.33
Change of Address LG	286	5	270	85	94.41
Change of Bank Details LG	174	5	161	85	92.53
DG Nomination Form Received LG	1072	20	1065	85	99.35
DWP request for Information LG	16	10	16	85	100
Death Grant to Set Up LG	33	5	31	85	93.94
Death In Retirement LG	119	5	102	85	85.71
Death In Service LG	8	5	7	85	87.5
Death on Deferred LG	20	5	16	85	80
Deferred Benefits Into Payment Actual	206	5	169	90	82.04
Deferred Benefits Into Payment Quote	226	35	217	85	96.02
Deferred Benefits Set Up on Leaving	238	20	179	85	75.21
Divorce Quote LG	44	20	43	85	97.73
Divorce Settlement Pension Sharing order Implemented	2	80	2	100	100
General Payroll Changes LG	123	5	123	85	100
Initial Letter Death in Service LG	8	5	8	85	100
Initial letter Death in Retirement LG	119	5	113	85	94.96
Initial letter Death on Deferred LG	20	5	16	85	80
Life Certificate Received LG	326	10	306	85	93.87
Monthly Posting	1201	10	702	95	58.45
NI Modification LG	7	20	7	85	100
Pension Estimate	229	10	205	75	89.52
Refund Payment	95	10	94	95	98.95
Refund Quote	163	35	142	85	87.12
Retirement Actual	156	3	146	90	93.58
Retirement Quote	182	10	169	85	92.86

LPF - KPI's for the Period 1.6.17 to 31.8.17					
Set Up New Spouse Pension LG	54	5	48	85	88.89
Transfer In Actual	18	35	17	85	94.44
Transfer In Quote	26	35	26	85	100
Transfer Out Payment	19	35	17	85	89.47
Transfer Out Quote	122	20	110	85	90.16

Reasons for underperforming KPI's:

Transfer in quote	Delays in receiving appropriate documentation.
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.
Death on Deferred LG	4 cases outside KPI. 3 belong to one member, this was a complicated case where the member had multiple employments. 1 case was a lost contact case and the beneficiary took time to find.
Initial letter Death on Deferred LG	As above
Monthly Posting	Files that cannot be validated because of errors, queries, mismatches etc.

2.0 Scheme Information

2.1 Membership numbers as at 18 September 2017 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	24,196	26,177	4,639	19,720	1,961
Councillors	2	39	0	42	-
Totals nos	24,198	26,216	4,639	19,762	1,961
Change	-685	-594	+1,376	+259	-64

2.2 Age Profile of the Scheme

	Age Groups												
Status	U20	20-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70	70+	TOTAL
Active	388	1612	1603	2103	2497	3302	4245	3891	2888	1394	230	43	24196
Beneficiary Pensioner	88	37	2	1	4	18	38	81	134	228	311	1503	2445
Deferred	2	402	1460	2038	2145	3173	5244	5832	4646	1153	32	7	26134
Deferred Ex Spouse	0	0	0	0	3	1	10	14	10	1	0	0	39
Pensioner	0	0	1	1	6	18	43	113	1114	4391	5067	6502	17256
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	1	10	4	4	19
Preserved Refund	39	160	106	118	159	219	291	308	238	163	113	47	1961
Undecided													4639
Councillors													83
Total													76,776

2.3 Employer Activity

Academies and Prime Account Schools

Between 1 June 2017 to 31 August 2017 one Academy but no Prime Account Schools became Scheme employers in the Fund.

WYPF are currently working on 3 schools that are in the process of converting to academies or Prime Account Schools.

Town and Parish Councils

Between 1 June 2017 to 31 August 2017 no Town and Parish Council became Scheme employers.

Admission Bodies

Between 1 June 2017 to 31 August 2017 there were no new Admission Bodies in the Fund.

WYPF are currently working on the admissions for 7 Admission Bodies (see table below).

Employers ceasing Participation

Between 1 June 2017 to 31 August 2017 one employer ceased their participation in LPF.

Number of Employers in WYPF

These changes to employers bring the total number of employers in LPF as at 31 May 2017 to 250.

Admission Bodies in progress

EMPLOYER	ISSUE	CURRENT POSITION	ACTION	NEXT ACTION REQUIRED
Future Cleaning Services	Request for admission received.	Need employee data.	Employee data received and application received.	Actuarial assessment completed. Admission agreement issued for signature. Admission still with academy trust. Last chased up 15/9/17.
Outspoken Training	Admission due from 1/9/2017.	Application received.	Data with Hymans.	LCC have draft admission agreement. They are still liaising with Outspoken on this.
Taylor Shaw (Branston Academy)	Request for admission received - covers both West Grantham and Branston Academy.	Need employee data and application form.	Employer confirmed willing to act as interim employer. Update on employee data requested.	Seeking agreement from academy trust to proceed with this.
Compass Group	Request for admission received.	CGS wish to backdate entry. We are asking academies to confirm if they are willing to act as scheme employer for the interim period.	CGS asked to provide agreement of the Academies involved. Nicholas Corney (Compass Group) has forwarded a proposed interim solution.	Seeking agreement from academy trust to proceed with this.

Aspens (Somercotes)	Request for admission for staff transferring from Somercotes Academy.	Assessment requested from Hymans.	Provisional assessment received from Hymans and forwarded to employer.	Admission in place from 1/5/17. Final member data with Hymans to confirm final employer contribution rate.
Aspens (Monks Dyke Tennyson)	Request for admission for staff transferring from Monks Dyke Academy.	Application and member data received.	Provisional assessment requested from Hymans and draft admission agreement requested.	Await admission agreement / assessment.
Caterlink	Request for admission for staff transferring Aspen. Academy acting as interim employer.	Draft admission agreement requested.	Provisional assessment received from Hymans and forwarded to employer.	Draft admission agreement issued to West Grantham Academies. Caterlink requested to sign agreement.

3.0 Praise and Complaints

3.1 Over the quarter April to June we received **2** online customer responses.

Over the quarter January to March **71** Lincolnshire member's sample survey letters were sent out and **12 (16.9%)** returned:

Overall Customer Satisfaction Score;

April to June 2016	July to September 2016	October to December 2016	January to March 2017	April to June 2017
80.71%	79.55%	77.22%	87.07%	78.63%

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.

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 June 17 to 31 August 17	Number of appeals	Outcomes	Details
STAGE 1	2		
AGAINST EMPLOYER	1	Turned down	Appeal against refusal to release early payment of pension.
AGAINST LPF	1	Turned down	Actual value of benefits paid was less than shown on annual statements - qualifying service incorrectly shown.
STAGE 2	1		
AGAINST EMPLOYER	0		
AGAINST LPF	1	Turned down	Maladministration - was originally offered incorrect values of pension rights. Satisfied that matters had been addressed correctly

- 4.2 The Pensions Ombudsman can consider appeals and allegations of maladministration, once the two stages of the IDRP have been exhausted. From 1 June 17 to 31 August 17 there was one appeal regarding the refusal to offer transfer out benefits. The Ombudsman was satisfied that WYPF had made every effort to ensure members were aware of requirement to request a transfer out at least 12 months prior to normal retirement date.

5.0 Administration Update

5.1 Scheme Return

Public service schemes have a legal obligation to keep their registrable information up to date, and as part of this must supply the Pensions regulator with certain information via an annual scheme return. WYPF will be completing the return Pensions Regulator Scheme on behalf of LPFA when it is issued in September.

5.2 Annual Benefit Statements

Annual Benefit Statements as at 31 August 2017			
DESCRIPTION	WYPF	LPF	TOTAL
Active at 31/03/2017	89,304	21,196	110,500
In the system (how many)	89,304	21,196	110,500
In the system (percentage)	100	100	100
In the queue	2	0	2
Produced and printed (how many)	88,651	20,789	109,440
Produced and printed (percentage)	99.20	98.00	99.00

6.0 Current Issues

6.1 SABEW consultation on academies objectives

The scheme advisory board for the LGPS in England and Wales (SABEW) commenced a consultation on the development of options for academies. The consultation closes on 29 September 2017.

The proposed draft objectives that the SABEW were seeking views upon are as follows:

- Protect the benefits of scheme members through continued access to the LGPS
- Ring fence local taxpayers and other scheme employers from the liabilities of the academy trust sector
- Improve the efficiency and effectiveness of administrative practices
- Increase the accuracy and reliability of data

However, in achieving the objectives, the SABEW do not believe the changes should:

- Significantly alter cashflow at the fund level
- Significantly alter assets at the pool level

6.2 SABEW consultation on pooling forum

The SABEW have also commenced a consultation on the development of a member led national Cross Pool Information Forum (CPF) for the LGPS in England and Wales.

The SABEW propose that the CPF is established to receive, share and disseminate information on the pooling of LGPS assets as well as provide a platform to exchange best practice and items of cross pool interest. However, it should not have decision making powers, nor should its discussions be technical in nature. It is proposed that the CPF would consist

of up to three members from each pool, nominated by the member administering authorities of each pool.

Views from LGPS pensions committee chairs are sought on the proposals and the consultation closes on 29 September 2017.

6.3 State Pension Age Review

The Government have published their state pension age (SPA) review as required by the Pensions Act 2014. In the review, the Government confirm they plan to follow the recommendation of the Cridland report that the SPA increase from 67 to 68 be brought forward to take place in stages between 2037 and 2039. Previous Government policy was that the SPA increase to 68 between 2044 and 2046. Once the legislation providing for the change goes through Parliament, the increase will change the state pension age of those born between 6 April 1970 and 5 April 1978, and therefore the LGPS normal pension age of members born between those dates.

6.4 Update on the Pensions Ombudsman Service (TPOS)

Following discussions with Government ministers, it has been agreed that TPOS will at some point in the future take over the informal dispute resolution service currently provided by the Pensions Advisory Service (TPAS).

To assist with their plans for the merger of the formal and informal resolution processes, TPOS have recently commenced a project to look into the services provided by both organisations and are seeking views from pension scheme administrators to feed into this. Specifically, TPOS are asking for views on what works well about both services (in terms of both quality and delivery), what could be improved, and what administrators believe are the risks and opportunities of merging the services.

6.5 Supreme Court case – Walker v Innospec

In July, the Supreme Court handed down a judgment which has potential implications for pension schemes who offer differing survivors' pension benefits depending on whether their relationship with the originating member was a civil partnership, same sex marriage or opposite sex marriage.

The Equality Act 2010 contains an exception which made it legal for pension schemes to discriminate in the survivor benefits it offered, saying that pension schemes did not have to provide civil partners with pension benefits relating to membership accrued prior to the introduction of civil partners in December 2005. The Supreme Court found that this exception was incompatible with EU law.

The case relates to a member (Mr Walker) whose pension scheme, making use of the exception in the Equality Act 2010, would have only provided his

civil partner with a survivor's pension based on his membership from 5 December 2005 upon his death. By contrast if Mr Walker had been married to a woman, a survivor's benefit payable based on his entire membership would have been payable on his death.

Following the judgement, we understand the Government lawyers are considering the possible impacts the ruling will have on the survivor pension rights offered by public service pension schemes.

6.6 Brewster Cases

In the Brewster judgment the Supreme Court found that the requirement of the LGPS in Northern Ireland for members to have completed a nomination form for a cohabiting partner to be entitled to payment of survivor's pension constituted unlawful discrimination and was a breach of the European Convention on Human Rights (ECHR).

The LGPS in England and Wales previously included a similar requirement, meaning that:

- where a member had active membership in the 2008 Scheme,
- that member died on or after 1 April 2008 and prior to 1 April 2014,
- at the time of their death, the member was in a relationship where their partner would have met the definition of a 'nominated cohabiting partner' under regulation 25 of the LGPS (Benefits, Membership and Contributions) Regulations 2007), but no nomination had been made, no survivor's pension would have been payable to that partner.

Whilst making clear that it is for LGPS funds in England and Wales to determine their approach in respect of claims arising from the Brewster case, the letter states that it would, in DCLG's view, be 'reasonable' for funds to rely on the judgment as well as section 3 of the Human Rights Act 1998 to not require that a survivor partner must have been nominated to have been eligible for an LGPS survivor's pensions in the circumstances set out above.

Section 3 of the Human Rights Act 1998 states that primary and subordinate legislation must be read and given effect in a way which is compatible with ECHR rights. DCLG's interpretation is that section 3 reasonably gives administering authorities the vires to read the aforementioned regulation 25 of the Benefits Regulations 2007 in a way compatible with ECHR rights and therefore disapply the nomination requirement. This is because the judgment of the Supreme Court earlier this year would appear to mean that the current wording of the Benefit Regulations 2007 is not compatible with ECHR rights.

A draft guidance letter issued to LGPS funds outlines further points that they should consider in dealing with claims arising from the Brewster judgment.

Separately DCLG have confirmed that they have received legal advice that there is no need for them to amend the Benefits Regulations 2007 to reflect the Brewster judgment and they therefore have no plans to do so.

6.7 Update on exit payments

A fresh consultation on draft regulations governing the exit payment cap and exit payment recovery is due to take place in autumn. This would potentially mean an implementation for both reforms in the first half of 2018, subject to sufficient parliamentary time being found.

There is no further update on the third part of the Government's programme of public sector exit payment reforms, further reform, on which a DCLG consultation is still awaited.

6.8 Government publish response to scams consultation

The Government have published their response to the pension scams consultation that took place in late 2016 and early 2017

The response confirms that the Government plan to proceed with all three of the measures they consulted upon to tackle pensions scams and notes that respondents to the consultation were, in the vast majority of cases, also supportive of the proposed measures.

The table below lists each of the measures the Government hope to introduce and how the Government intends to implement these.

Measure	Implementation
Introduce a ban on cold calling in relation to pensions – <i>the Government have confirmed this ban will also now extend to cold calling via electronic communications such as email and text message, as well as traditional cold calling via phone</i>	The Government intend to work on the final and complex details of the ban on cold calling and then bring forward legislation when Parliamentary time allows.
Limiting the statutory right to transfer so that individuals only have a statutory right to transfer to the following schemes: <ul style="list-style-type: none"> To personal pension schemes operated by firms authorised by the FCA To authorised master trust schemes Where a genuine employment link to the receiving occupational scheme can be evidenced 	<p>The Government intends to work closely with industry, consumer groups and other stakeholders on how best to implement the employment link and add QROPS to the statutory transfer criteria (where this is a legitimate transfer).</p> <p>However, as the authorisation process the Government is introducing for master trusts is not being rolled out until late 2018/ early 2019, any changes to the statutory right to transfer will not come into force until after the authorisation process has been rolled out.</p>

<p>Allowing only active companies to register a pension scheme, except in legitimate circumstances where HMRC will have the discretion to register such schemes. HMRC will also have the power to de-register existing registered pension schemes where the sponsoring employer is a dormant company.</p>	<p>The Government intend to introduce legislation in a Finance Bill later in 2017 to</p>
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6.9 TPR publishes information on roles and responsibilities within PSPS's

The Pensions Regulator has published information on the roles and responsibilities of certain people and bodies in respect of the governance and administration of public service pension schemes (PSPS's).

In late August, the LGPC Secretariat met with the Pensions Regulator and received confirmation that they are working to provide additional materials to support public service pension schemes in the coming months, particularly in the fields of breach reporting and record keeping.

The table attached at Appendix 3 provides more details about the role of scheme managers, pension boards and others involved in governing public service schemes. Those involved with local government pension schemes may also have investment responsibilities.

7.0 Finance

7.1 Cost per member

Shared service cost per member 2016/17 £13.85 (£15.05 for 2017/18 initial budget)

The shared service pension admin cost per member of £13.85 has been used to recharge LPF. Our cost target for shared service pension admin is to maintain a cost target of £17. The projected cost for 2017/18 Pension Admin shared services has been estimated at £15.05. Our projected cost per member is therefore below our target cost of £17.

8. News

8.1 Awards

WYPF were winners of the Scheme Governance Award hosted by the LAPF Investment Awards on 19th September at the British Medical Association headquarters in London. We were also shortlisted under the following categories:

LGPS Fund of the Year (over £2.5 billion)
Scheme Administration Award
Collaboration Award

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	Feedback Summary
Appendix 3	Governing Public Service Schemes

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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