

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

Report to:	Pensions Committee
Date:	19 July 2018
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 March 2018 to 31 May 2018.

KPI's for the Period 1.3.18 – 31.5.18					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
AVC In-house (General)	82	10	81	85	98.78
Age 55 Increase LG	2	20	2	85	100
Article 4 Payment Own Right LG	19	10	17	85	89.47
Change of Address LG	226	5	217	85	96.02
Change of Bank Details LG	87	5	73	85	83.91

LPF - KPI's for the Period 1.3.18 – 31.5.18					
DG Nomination Form Received LG	787	20	787	85	100
DWP request for Information LG	22	10	21	85	95.45
Death Grant to Set Up LG	40	5	40	85	100
Death In Retirement LG	139	5	125	85	89.93
Death In Service LG	8	5	7	85	87.5
Death on Deferred LG	8	5	8	85	100
Deferred Benefits Into Payment Actual	235	5	223	90	94.89
Deferred Benefits Into Payment Quote	279	35	269	85	96.42
Deferred Benefits Set Up on Leaving	1050	20	1022	85	97.33
Divorce Quote LG	51	20	48	85	94.12
Enquiry LG	6	5	6	85	100
General Payroll Changes LG	140	5	139	85	99.29
Initial Letter Death in Service LG	8	5	8	85	100
Initial letter Death in Retirement LG	139	5	138	85	99.28
Initial letter Death on Deferred LG	8	5	8	85	100
Life Certificate Received LG	7	10	6	85	85.71
Monthly Posting	742	10	516	95	69.54
NI Modification LG	8	20	8	85	100
Pension Estimate	317	10	274	75	86.44
Refund Payment	143	10	139	95	97.2
Refund Quote	114	35	114	85	100
Retirement Actual	123	3	112	90	91.06
Set Up New Spouse Pension LG	82	5	70	85	85.37
Spouse Potential LG	8	20	8	85	100
Transfer In Actual	16	35	14	85	87.5
Transfer In Quote	53	35	53	85	100
Transfer Out Payment	19	35	18	85	94.74
Transfer Out Quote	80	20	70	85	87.5

Reasons for underperforming KPI's:

Change of Bank details	Although not done within target days all changes actioned in time for payroll to enable pension to be paid to the correct account.
Monthly Posting	Files that cannot be validated because of errors, queries, mismatches etc. Average time taken across all employers is less than 10 days.

2.0 Scheme Information

2.1 Membership numbers as at June 18 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	26,818	27,043	1,256	20,478	1,882

Councillors	0	39	0	41	-
-------------	---	----	---	----	---

Totals nos	26,818	27,082	1,256	20,519	1,882
Change	+601	+450	-1,152	+340	+3

2.2 Age Profile of the Scheme

Status	Age Groups												TOTAL
	U20	20-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70	70+	
Active	428	1935	1867	2383	2890	3507	4639	4285	3062	1516	245	59	26,816
Beneficiary Pensioner	92	39	3	5	4	9	39	78	154	229	308	1570	2,530
Deferred	6	464	1400	2209	2327	3109	5309	5963	4927	1249	33	4	27,000
Deferred Ex Spouse	0	0	0	0	3	1	9	14	11	1	0	0	39
Undecided	16	121	124	123	177	174	196	141	101	55	18	10	1,256
Pensioner	0	0	1	1	4	12	44	118	1128	4407	5117	7094	17,926
Pensioner Deferred	0	0	0	0	0	0	0	1	2	0	0	0	3
Pensioner Ex Spouse	0	0	0	0	0	0	0	0	1	12	4	6	23
Preserved Refund	26	209	117	121	141	198	255	295	221	146	108	45	1,882
Councillors													80
Total													77,555

2.3 Employer Activity

Academies and Prime Account Schools

Between 1 March 2018 to 31 May 2018, 4 academies became Scheme employers in the Fund.

WYPF are currently working on 12 schools that are in the process of converting to academies or Prime Account Schools.

Town and Parish Councils

Between 1 March 2017 and 31 May 2018 no Town or Parish Councils became Scheme employers.

Admission Bodies

Between 1 March 2018 and 31 May 2018 there was one new Admission Body in the Fund – backdated to 1 January 2018.

WYPF are currently working on the admissions for 4 Admission Bodies.

Employers ceasing Participation

Between 1 March 2018 and 31 May 2018 no employers ceased their participation in LPF.

Number of Employers in LPF

These changes to employers bring the total number of employers in LPF as at 31 May 2018 to 260.

Admission Bodies in progress

Name	Proposed start date	Current position
Future Cleaning Services	01/08/2016	Amended admission agreement sent to employer. Employer wishes to see admission body put bond into place before signing. FCS asking for a form of bond agreement. Have been liaising with LCC Legal on this and need to discuss with Jo how she wishes to proceed.
Taylor Shaw (Branston)	1/1/18 (with scheme employer acting as interim employer)	Assessment received from Hymans and forwarded to employer. Taylor Shaw came back with a number of issues over the wording. Liaised further with LCC Legal and have now gone back with final document to Taylor Shaw – who have now agreed to sign. Awaiting signed agreement.
Compass Group	1/1/18 (with scheme employer acting as interim employer)	Admission is now in place. Ensuring the final matters are resolved in relation to the Bond requirement and outstanding contributions.
Easyclean (Baston Primary)	1/6/2018	School has transferred one member of staff under a cleaning contract and admission has been requested. Liaising with LCC regarding fees involved.

Admission Bodies concluded

Nil

3.0 Praise and Complaints

- 3.1 Over the quarter January to March we received **2** online customer responses. **121** Lincolnshire member's sample survey letters were sent out and **172 (14.05%)** returned:

Overall Customer Satisfaction Score;

January to March 2017	April to June 2017	July to September 2017	October to December 2017	January to March 2018
87.07%	78.63%	89.62%	91.74%	87.34%

Appendix 1 shows full responses.

3.2 Employer Training

Over the quarter January to March two Employer sessions were held in Lincolnshire, Pensionable Pay and Secure Administration.

Feedback from the event is attached at Appendix 2.

3.3 Employer Survey

An Employer Survey was recently carried out to identify areas of WYPF/LPF service with employers that could be improved.

The survey was emailed, and made available on the employer blog, to all authorised users notified to use by the scheme employers of WYPF/LPF.

These are the Finance, Administration and Strategic contacts as well as additional Authorised users of the system.

Appendix 3 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.

Stage 1 appeals against the fund

One appeal decision in this period. No appeals currently outstanding.

Stage 1 appeals against scheme employers

Two appeal decisions in this period. One appeals currently outstanding.

Date of appeal	Member no	Employer	Reason for appeal	Date of decision	Decision	Outcome / comments
28/11/2017	8040391	LCC LCC have confirmed they have extended the deadline.	Appeal against being refused an ill health pension.			LCC have confirmed they have extended the deadline. Satisfied that correct process had been followed.
29/1/2018	8043598	LCC	Appeal against being refused an ill health pension.	5/4/18	Turned down	Satisfied that reasonable and consistent decision had been taken.
5/3/2018	8047032	LCC	Appeal against decision not to grant early pension release.	17/4/18	Turned down.	LCC have confirmed they have extended the deadline.

Stage 2 appeals

2 appeals turned down in current period. No appeals currently outstanding.

Date of appeal	Member no	Employer	Reason for appeal	Date of decision	Decision	Outcome / comments
2/10/2017	8044515	Boston Borough Council	Appeal against service used in pension calculation.	28/3/2018	Turned down.	Satisfied that regulations have been applied correctly.
1/3/2018	8087247	LCC	Appeal against refusal to offer transfer out of benefits.	1/3/2018	Turned down	Satisfied that decision to turn down transfer out of benefits was correct.

Ombudsman

4.2 1 appeal upheld in the current period. LCC ordered to pay £500 compensation. The Ombudsman's ruling was on the basis that, as a deferred pensioner approaching her normal pension age, WYPF had a duty to inform the member about what she could do with her 'flexible benefits'. WYPF provided Mrs Waltham with this information one month before her normal pension age, however, resolving further issues with her IFA and the AVC provider (Prudential) resulted in late payment of her pension benefits.

1 appeal outstanding against being turned down for early release of pension on ill health grounds. LCC Legal compiled information for response. WYPF provided details of regulations relevant to the case. Decision still outstanding.

5.0 Administration Update

5.1 Outstanding Leaver forms

It has been previously noted that the Fund's largest employer, LCC, had developed a back log in providing detailed leaver information to WYPF. LCC and Serco set out an improvement plan to address the backlog which was expected to be cleared by 31 May 18. The Local Pensions Board has been closely monitoring the situation and wrote to LCC highlighting their concerns. LCC self-reported the breach to the Pension Regulator (TPR). The backlog of leaver forms have mainly been cleared and currently stand at 543. A high proportion of these are old cases acquired by Serco from the previous payroll provider.

5.2 GDPR Update

5.2.1 Privacy Notices

Privacy Notices have been sent out to Active and deferred members with the Annual Benefit Statements.

5.2.2 Contracts

Contracts with third party processors are being reviewed and updated to ensure they are GDPR compliant.

5.2.3 Memorandum of Understanding

A Memorandum of Understanding has been issued to all Employers in the Fund which sets out:

(a) the basis on which data will be shared between the Parties;

(b) the Administering Authority's expectations of the Scheme Employer during its participation in the Fund.

5.3 Annual Benefit Statements and Newsletter

The spring Newsletter is being issued to all active members with their Annual Benefit Statements. To date 17,781 Statements have been printed representing 79.60%.

To date 25,801 Deferred Benefit Statements have been issued representing 98.9%.

The deadline for issuing them is 31 August.

Pensioners received their Newsletter with their April Payslip/P60.

Appendix 4 – Annual Benefit Statement/Active Member Newsletter

Appendix 5 - Pensioner Member Payslip/P60.

6.0 Current Issues

6.1 Local Government Pension Scheme (Amendment) Regulations 2018 were updated on 19 April 2018.

What is the impact?

6.2 With effect from 1st April 2014 the survivor of any Tier 1 or Tier 2 ill-health retirement that occurred on or after 1st April 2014 will now be entitled to additional pension as the enhancement granted also counts toward survivor benefits (the original Regulation wording was flawed and resulted in survivor's only being entitled to accrued pension).

6.3 With effect from 1st April 2014 members who aggregated previous LGPS benefits after 31st March 2014, where they had left service before 1st October 2006 and their Normal Pension Age was between age 60 and 65, now have a normal pension age of 65 for those aggregated benefits (the rule of 85 may still mean that they can be taken unreduced from an earlier age).

6.4 With effect from 1st April 2014 where the pay the member received was materially lower than the level of pensionable pay that member normally received during the period used for determining APP, the employer is given the right to increase that pay to reflect the level of pensionable pay that the member would normally have received.

- 6.5 With effect from 1st April 2014 slight changes in the definitions for eligibility to LGPS.
- 6.6 With effect from 14th May 2018 members with deferred benefits under the earlier regulations may now take voluntary early retirement from age 55 (rather than previously having to wait until age 60). With this is the extension of the regulations already there for Post 2014 members, whereby the employer (or the authority if that employer no longer exists) can decide whether or not to allow the full rule of 85 to apply, where the member satisfies the rule of 85 before age 60.
- 6.7 However, an unintended transitional issue has now arisen, due to the wording used. Members who left service before 1st April 1998 can elect for early retirement at age 55 but members over the age of 55 on 14th May 2018 are precluded from taking voluntary early retirement. MHCLG have confirmed that a further set of amending regulations will be needed and further changes by way of guidance or a correction slip are not possible.
- 6.8 An amendment has been made to confirm that a member does not have to meet both conditions of reaching re-enrolment date and going on no pay as a result of sickness, injury, or child-related leave (and remaining so at the start of the next pay period) in order for a 5050 election to be cancelled.
- 6.9 An amendment has been made to confirm that a member only has to take benefits from their active pension account when employment is terminated at or after age 55 due to redundancy or business efficiency. This will help stop issues on strain cost exceeding the Cost Cap when Exit Payment reform is fully enacted.
- 6.10 An amendment has been introduced to allow for the possibility of an exit credit to be paid where an employer ceases in the scheme and their liabilities are fully funded and there is a surplus.
- 6.11 An amendment has been made to cater for the possibility of an exit credit to be paid where an employer may be required to make additional (strain cost) payments to include an employer's waiver of actuarial reductions if a deferred member takes early retirement before age 60 and any of the early retirement penalty is waived.
- 6.12 An amendment has been made to confirm that where a Club Transfer occurs the administering authority must comply with the Public Sector Transfer Club memorandum.
- 6.13 An amendment to clarify that some bodies mentioned in the Schedule are not local authorities. Concerns voiced at the consultation concerning backdating admission agreements are recognised by Government and they intend to take a wider look at this aspect when dealing with the Fair Deal consultation.
- 6.14 An amendment has been made to mean, that individuals who have transferred-in from other Public Service schemes, who would have met the criteria for the statutory underpin if they had been in LGPS, are granted underpin protection.

- 6.15 An amendment has been made to limit members with deferred benefits, who were not active members immediately before and on 1st April 2014 of the 2014 Scheme, to having 12 months from date of joining or such longer period as the employer permits, to elect to aggregate benefits.
- 6.16 A standalone provision has been made to make clear that existing admission agreements are to be treated as if they were the subject of a determination under section 2(5) of PSPA 2013. Additionally, each administering authority has 12 months to publish a list of their current admission agreements.

Proposed Changes NOT taken forward:

- 6.17 Fair Deal – in its response to the consultation MHCLG confirm that, in view of the range and diversity of issues highlighted in the consultation responses, they will not be introducing Fair Deal into the LGPS at this time. However, they state they still remain committed to introducing Fair Deal into the LGPS and intend to commence a consultation on new proposals for achieving this by the end of the year.
- 6.18 AVCs – the Uncrystallised Funds Pension Lump Sum (UFPLS) option will not be introduced directly into the LGPS Regulations due to the substantial administrative complexities that would be created. The complexities would primarily be due to difficulties in standardising procedures among the large number of AVC providers. If a member wishes to use their AVC to take one or more UFPLS, they can do this by transferring their AVC out of the LGPS.
- 6.19 Aggregation – the proposal to end the automatic aggregation of pension accounts where a member with a deferred benefit becomes active again is not being taken forward. MHCLG concluded that introducing these changes would not be consistent with Schedule 7 of the Public Service Pensions Act 2013, which provides that final salary protection must be provided where a member re-joins a public service pension scheme within five years of leaving their previous public service pension scheme.

6.20 2017 LGPS annual report

At the 2018 PLSA local authority conference, Cllr Roger Phillips, the chair of the scheme advisory board for the LGPS in England and Wales (SABEW), launched the 2017 annual report for the English and Welsh scheme.

The aim of this Annual Report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. This report aggregates information supplied in the 90 fund annual reports, as at 31 March 2017.

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

- The total membership of the LGPS grew by 394,000 (6.9%) to 5.6m members in 2017 from 5.3m.
- The total assets of the LGPS increased to £263bn (a change of 21.2%). These assets were invested in pooled investment vehicles (52%), public equities (32%), bonds (7%), direct property (3%), as well as other asset classes (6%).
- The Local Authority return on investment over 2016/17 was 19.5%. This was reflective of the better market conditions during the year.
- The scheme maintained a positive cash-flow position overall. Scheme income was lower than total scheme outgoings by £484m. However, this was excluding investment income.
- The funds all received unqualified external financial audit certificates from the scheme's external statutory auditors.
- Over 1.6m pensioners were paid over the year. Fewer than 39 formal complaints about scheme benefit administration were determined and less than 13% were upheld by the Pensions Ombudsman.

6.21 Governance and administration survey findings published

The Pensions Regulator (TPR) have published their 2018 report on the findings of the governance and administration survey (undertaken in November and December 2017) of public service pension schemes. In total 191 of the 207 public service pension schemes completed the survey. This equates to a 92% response rate, covering 98% of all memberships.

The report sets out how TPR have interpreted the findings including, their expectations of those involved in running the schemes and what they will be doing over the next year to address the issues identified in the report. It accompanies the full research report, which shows the responses to all survey questions.

The commentary in the report highlights a number of points that LGPS administering authorities should be aware:

- The survey supports TPR's existing assessment that the top risks are scheme governance, record-keeping and internal controls.
- The survey shows that 34% of LGPS administering authorities hold fewer than four pension board meetings a year. In TPR's view, this provides inadequate opportunity for pension boards to carry out their role effectively and raises concern about the quality of governance.
- Only 45% of active members in the LGPS received their annual benefit by the statutory deadline.
- The summary report states 'The survey shows signs that process improvements have stalled in some Local Government schemes. This group was also the one that was least likely to respond to the survey and we are concerned about the risks of disengagement. Because of the specific challenges faced by Local Government schemes, we expect to focus casework activities on the LGPS in the coming year' (p3).
- The report concludes by saying, 'Scheme managers should be aware that we are more likely to use our enforcement powers this year. Where we

open cases, we will work the schemes involved to resolve gaps in their risk and breach of law processes. When considering action or setting fines, we will take into account a party's co-operation with us, and their efforts to put things right. For example, those who fail to report breaches to us quickly could receive a higher penalty for a breach, and an additional penalty for a failure to report.

6.22 2018 Scheme Return – scheme-specific data

For the first time, the 2018 scheme return will ask administering authorities to report on their common and scheme-specific data scores. The return will specify the common data fields to measure against, but scheme managers within public service pension schemes will also be asked to select what scheme-specific data they need to pay pensions, run the scheme and to undertake fund valuations, and once selected measure against this data.

The SABEW are working closely with MHCLG and GAD to develop a standard set of conditional data for administering authorities to use when completing this year's scheme return.

The intention is to have this ready by mid-June. The SABEW will ensure that practitioners on the scheme advisory board and Cost Management, Benefit Design and Administration committee are involved in the development of the standard list before it is circulated.

We understand that TPR will be issuing the scheme return in July and the deadline for submission will be in September.

6.23 TPO and TPR establish information sharing agreement

The Pensions Ombudsman (TPO) and The Pensions Regulator (TPR) have agreed to share information with a view to mutually enhancing their knowledge and understanding of developing pension issues.

This information sharing agreement (The Agreement) aims to protect pension scheme members, endorse and support the achievement of higher standards across the industry and ensure a safe pensions saving environment.

The Agreement came into effect in March and gives details of the principles both organisations will follow when sharing information about complaints and concerns. It acknowledges that both organisations have shared goals and an overlap in responsibilities. The Agreement between the two bodies means that information concerning pension complaints handled by TPO may be shared with TPR, helping to inform its investigation processes. Similarly, following an investigation of a pensions scheme, TPR may advise TPO of any concerns it has regarding that scheme's failure to implement policy and procedural changes as recommended by TPR.

7.0 GMP Reconciliation

Work on reconciling GMP's with HMRC records continues. A number of queries have been raised and we will continue to raise more. We are confident that all queries will be raised by HMRC's deadline of 31 October. We will also be looking to automate as much of the update as we can thereby reducing the amount of manual intervention required from staff. Recalculations to pensions will follow after this work has been completed.

8.0 Finance

8.1 Cost per member

Shared service cost per member 2017/18 £14.73 (£14.91 for 2018/19 initial budget)

The shared service pension admin cost per member of **£14.73** has been used to recharge LPF for 2017/18. Our cost target for shared service pension admin is to maintain a cost target of £17. The projected cost for 2018/19 Pension Admin shared services has been estimated at **£14.91**. Our projected cost per member is therefore below our target cost of £17.

SHARED SERVICE COST PER MEMBER 2015_16 TO 2017_18									
		OUTTURN 2015_16		OUTTURN 2016_17		OUTTURN 2017_18		FORECAST 2018_19	
		TOTAL	MEMBER NUMBER	TOTAL	MEMBER NUMBER	TOTAL	MEMBER NUMBER	TOTAL	MEMBER NUMBER
			362,608		373,474		375,202		402,152
SHARED SERVICE COST BY COST TYPE		PER MBR		PER MBR		PER MBR		PER MBR	
EXPENDITURE	Accommodation	£204,667	£0.56	£176,346	£0.47	£144,212	£0.38	£144,213	£0.36
EXPENDITURE	Computer	£379,148	£1.05	£274,642	£0.74	£207,792	£0.55	£207,792	£0.52
EXPENDITURE	Employees	£3,803,954	£10.49	£4,070,536	£10.90	£4,321,269	£11.52	£4,790,193	£11.91
EXPENDITURE	Internal Recharge	£192,575	£0.53	£166,142	£0.44	£321,666	£0.86	£321,666	£0.80
EXPENDITURE	Other	£231,912	£0.64	£366,033	£0.98	£126,645	£0.34	£126,645	£0.31
EXPENDITURE	Printing & stationery	£368,475	£1.02	£64,510	£0.17	£405,831	£1.08	£405,831	£1.01
EXPENDITURE		£5,180,730	£14.29	£5,118,209	£13.70	£5,527,415	£14.73	£5,996,340	£14.91
TARGET									£17.00

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	Employers Survey
Appendix 4	Annual Benefit Statement/Active Member Newsletter
Appendix 5	Pensioner Member Payslip/P60.

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.