

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

Report to:	Pensions Committee
Date:	04 October 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 June 2018 to 31 August 2018.

LPF - KPI's for the Period 1.6.18 – 31.8.18					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
AVC In-house (General)	76	10	75	85	98.68
Age 55 Increase LG	4	20	4	85	100
Change of Address LG	259	5	247	85	95.37
Change of Bank Details LG	88	5	85	85	96.59
DG Nomination Form Received LG	1465	20	990	85	67.58
DWP request for Information LG	20	10	20	85	100
Death Grant to Set Up LG	30	5	29	85	96.67
Death In Retirement LG	156	5	148	85	94.87
Death In Service LG	3	5	3	85	100
Death on Deferred LG	14	5	12	85	85.71
Deferred Benefits Into Payment Actual	256	5	249	90	97.27
Deferred Benefits Into Payment Quote	301	35	297	85	98.67
Deferred Benefits Set Up on Leaving	752	20	704	85	93.62
Divorce Quote LG	41	20	40	85	97.56
Divorce Settlement Pension Sharing order Implemented	1	80	1	100	100
General Payroll Changes LG	54	5	50	85	92.59
Initial Letter Death in Service LG	3	5	3	85	100
Initial letter Death in Retirement LG	156	5	152	85	97.44
Initial letter Death on Deferred LG	14	5	13	85	92.86
Life Certificate Received LG	1	10	1	85	100
Monthly Posting	930	10	835	95	89.78
NI Modification LG	10	20	10	85	100
Pension Estimate	397	10	351	75	88.41
Refund Payment	258	10	255	95	98.84
Refund Quote	576	35	562	85	97.57
Retirement Actual	169	3	164	90	97.04
Set Up New Spouse Pension LG	63	5	54	85	85.71
Spouse Potential LG	6	20	1	85	100
Transfer In Actual	28	35	25	85	89.29
Transfer In Quote	41	35	41	85	100
Transfer Out Payment	4	35	4	85	100
Transfer Out Quote	136	20	118	85	86.76

Reasons for underperforming KPI's:

DG Nomination Form Received LG	Large volumes received as a result of issuing ABS. Forms are scanned onto records (and available if needed) but treated as low priority.
Monthly Posting	Queries on returns from Employers

2.0 Scheme Information

2.1 Membership numbers as at Sept 18 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	25,239	27,061	1,636	20,758	2,271
Councillors	0	39	0	43	-
Totals nos	25,239	27,100	1,636	20,801	2,271
Change	-1,579	+18	+380	+282	+389

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	361	1706	1659	2142	2750	3221	4423	4146	3027	1502	234	66	25237
Beneficiary Pensioner	95	33	3	2	9	12	38	80	146	231	302	1585	2536
Deferred	4	466	1384	2213	2350	3083	5270	6048	4880	1285	34	3	27020
Deferred Ex Spouse	0	0	0	0	4	1	8	15	11	0	0	0	39
Undecided	19	154	177	168	230	253	257	184	103	61	19	11	1636
Pensioner	0	0	1	1	4	9	46	129	1169	4474	5105	7260	18198
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	5	6	24
Preserved Refund	32	318	192	177	180	238	286	320	221	153	109	46	2272
Councillors													82
Total													77,047

2.3 Employer Activity

Academies and Prime Account Schools

Between 1 June 2018 to 31 August 2018, 1 academy became a Scheme employer in the Fund.

WYPF are currently working on 15 schools that are in the process of converting to academies or Prime Account Schools.

Town and Parish Councils

Between 1 June 2018 and 31 August 2018 no Town or Parish Councils became Scheme employers.

Admission Bodies

Between 1 June 2018 and 31 August 2018 there was one new Admission Body in the Fund.

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

Employers ceasing Participation

Between 1 June 2018 and 31 August 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 262.

3.0 Praise and Complaints

3.1 Over the quarter April to June we received **3** online customer responses.

Over the quarter April to June **205** Lincolnshire member's sample survey letters were sent out and **26 (12.69%)** returned:

Overall Customer Satisfaction Score:

April to June 2017	July to September 2017	October to December 2017	January to March 2018	April to June 2018
78.63%	89.62%	91.74%	87.34%	72.1%

Appendix 1 shows full responses.

3.2 Employer Training

Over the quarter April to June one Employer session was held in Lincolnshire, Pensionable Pay. One session was cancelled due to lack of numbers.

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 IDRPs. 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 WYPF.

Stage 1 appeals against the fund

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

Stage 1 appeals against scheme employers

One appeal 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.

Stage 2 appeals

1 appeal turned down in current period. 3 appeals currently outstanding.

Date of appeal	Member no	Employer	Reason for appeal	Date of decision	Decision	Outcome / comments
8/6/18	8019981	Compass Point Business Services	Appeal against refusal to pay ill health pension.			LCC Legal have confirmed they have extended the deadline subject to receiving further documentation from the employer.
11/6/18	8047032	LCC	Appeal against refusal to authorise early payment of deferred benefit.	10/8/18	Turned down.	Satisfied that LCC had made their decision taking into account financial implications and matters of a compassionate nature.
23/7/18	8079811	LCC	Appeal against refusal to pay ill health pension.			Review of decision in progress.
16/8/18	8043598	LCC	Appeal against decision not to allow early access to deferred benefits on health grounds.			Awaiting consent form from member authorising access to information used to make decision.

Ombudsman

4.2 One appeal outstanding against being turned down for early release of pension on ill health grounds.

5.0 Administration Update

5.1 Annual Benefit Statements

20,506 ABS have been produced by the statutory deadline of 31 August. This represents 99.20% of the active membership.

25,960 Deferred Benefit Statements have been produced by the statutory deadline of 31 August. This represents 100% of the deferred membership.

5.2 New Clients

Since March 2018 WYPF have taken on 6 additional Fire clients to provide pensions administration for. This brings the total number of Fire clients to 13. One

further Fire client will go live on 1 October. In addition, the London Borough of Hounslow has joined the WYPF/LPF shared service partnership from 1 August 2018.

As a result of the extra business recruitment of additional staff is currently underway to appoint additional pensions administration staff in Bradford. This will be followed later in the year by a recruitment exercise in Lincoln. In addition, the IT teams at WYPF are being strengthened to maximise automation and efficiencies.

6.0 Current Issues

6.1 TPR 2017/18 Scheme return – conditional data

On 3 August 2018, Bob Holloway, secretary of the Scheme Advisory Board (SAB) informed administering authorities that, despite there being general support and agreement for a standardised basis for scoring conditional data for the purposes of the forthcoming scheme return; it has not proved feasible or cost effective for the first year.

Accordingly, administering authorities have been advised to adopt their own approach for scoring their 2017/18 conditional data. TPR has issued guidance on how to complete the 2018 pension scheme return, including the new questions on record keeping and measuring data. We understand TPR will issue the survey in September with a six-week window for completion.

The LGA intend to re-engage with administering authorities and stakeholders later in 2018, to re-open discussions about formulating a standardised basis for scoring conditional data for 2018/19 and beyond.

6.2 Equitable Life

On 15 June 2018, Equitable Life announced that they have entered into an agreement to transfer the Society and all its policies to Reliance Life. As a result, they hope to be able to increase the current 35% capital distribution on with-profits policies to between 60% and 70%. However, for this to take place eligible policyholders will be asked to vote (expected to take place mid-2019) in favour of removing policy guarantees as well as on the arrangements to transfer to Reliance Life. 5.

Equitable Life's proposal (which is to be reviewed by an independent expert whose report will be made available to policyholders before voting) is as follows, to:

- increase the current 35% capital distribution to a level expected to be between 60% and 70%
- close the with-profits fund, which means the guaranteed investment return would end
- convert with-profits policies to unit-linked
- transfer all policies to Reliance Life

Following the vote, the proposal will be put before a High Court judge for approval. There is currently no action for policyholders to take. Equitable Life will provide more information in October 2019. The full background to this change can be found on Equitable Life's website.

6.3 HMRC

Launch of Manage and Register Pension Schemes service

On 4th June, HMRC launched the first phase of their new Manage and Register Pension Schemes service. This service will eventually replace Pension Schemes Online for the ongoing management and registration of all UK registered pension schemes.

At the launch of the service, HMRC issued a newsletter explaining what its plans are for the service. This followed a previous newsletter about Manage and Register Pension Schemes which was published in April.

After seeking clarification from HMRC regarding the new service, the LGPC Secretariat's understanding is that the new service is currently only operational for 'registering new schemes, and for registering new administrators who want to register a new scheme'.

A second release of phase one is planned for later in 2018. This will introduce new features for users of the new service. The rollout of Manage and Register Pension Schemes to existing users of Pension Schemes Online is due to take place in 2019 and 2020 as part of phase two. More details on HMRC's plans for the rest of phase one and for phase two are contained in the two newsletters linked above.

On 8th June, the LGPC Secretariat circulated an email to LGPS administering authorities inviting them to volunteer to attend two workshops on the development of the new service. The deadline for responding was Wednesday 20th June.

6.4 The Pensions Regulator

Proactive engagement with LGPS funds planned for 2018 and 2019

The Pensions Regulator's (TPR) Corporate Plan for 2018-2021 at page 18 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes. Following the publication of these new KPIs TPR has chosen the Local Government Pension Scheme as a cohort for proactive engagement throughout 2018 and 2019.

TPR has chosen Local Government schemes because, in their view, the results of the 2017 Governance & Administration Survey show that improvements in governance & administration standards have slowed when compared to other public service pension schemes.

Over the coming months, all LGPS scheme managers will receive written communications from TPR (and others involved with LGPS may also hear from TPR).

These will cover governance & administration matters including:

- the main risk areas scheme managers should already be focusing on
- what TPR's expectations are
- how those responsible for managing and running schemes can identify and mitigate such risks

The message from tPR is:

"We highly recommend that scheme managers and pension board members carefully consider the messages given. It is essential to have robust governance and administration in place for your scheme. However, it must be noted that there are no new expectations from us. All of the areas are already covered in TPR's Code of Practice 14 for Public Service Pension Schemes, and the associated guidance.

If you haven't already, we recommend that you complete TPR's Public Service toolkit to learn about managing public service pension schemes and to increase your knowledge and understanding.

We will engage further with a small number of scheme managers to undertake deeper regulatory engagement into each risk area, to understand what the current status is, the challenges scheme managers face, the extent of mitigation and improvement plans and how they are being implemented.

Good scheme governance & administration is a key factor to achieving positive outcomes for members. TPR will use its discretion in deciding whether it is appropriate to carry out further investigations and use its powers in situations where failings are identified."

6.5 Burgess and others v BIC UK Ltd judgment – time limits for recovering overpayments

LGPS administering authorities should be aware of a judgment handed down by the High Court in April 2018, which clarifies that pensions overpayments recovered by way of adjustments to future payments are not subject to the statutory six year time limit on recovering overpaid amounts.

Whilst much of the Court's findings in the *Burgess and others v BIC UK Ltd* case were case-specific and without general relevance to the LGPS, this point is novel and was not addressed in the 2016 *Webber v Department for Education* case. It also goes against a determination from the Pensions Ombudsman on the matter, which found that time limits did apply.

The judgment goes on to state that where a pension scheme seeks to adjust future benefits to take into account prior overpayments and this approach is disputed by the recipient, an order by the County Court would be necessary to enforce the pension scheme's approach. This is in accordance with s91 of the Pensions Act 1995.

6.6 Consultation on protecting defined benefit pension schemes

In addition, DWP have commenced a consultation on improving the Pensions Regulator's powers with a view to better protecting private sector defined benefit schemes. The Government hope the proposals will create a stronger Pensions Regulator which can be more proactive and get involved earlier when employers make changes which could affect their pension scheme.

The consultation closes on 21st August 2018.

6.7 European Court of Justice ruling on transgender rights

The European Court of Justice has ruled in favour of a transgender woman who was refused payment of her UK state pension in 2008 at age 60 (on the grounds that she did not have a Gender Recognition Certificate (GRC)).

The woman was refused payment of her pension because, on changing her gender, she had not annulled her marriage. Under the Gender Recognition Act 2004, it was not possible to obtain a GRC unless the applicant had annulled their marriage (where applicable) upon changing their gender.

This was changed by the Marriage (Same Sex Couples) Act 2013, meaning that transgender people no longer need to annul their marriage to obtain a GRC. However, the change was not introduced retrospectively. The ruling by the Grand Chamber of the European Court of Justice found that this meant UK legislation (in relation to individuals who changed gender prior to the introduction of the 2013 Act) treated a person who changed gender after marrying less favourably than it treated a person who had retained his or her birth gender and was married. On this grounds, it was found that the UK legislation constituted direct discrimination based on sex.

The LGPC Secretariat will provide further information regarding the impact of this case for the LGPS in a future bulletin.

6.8 PSIG publishes updated version of code of practice on scams

The Pension Scams Industry Group (PSIG) has published version 2.0 of its code of practice on combatting pension scams.

The first version of the voluntary code was published in 2015 and set out key steps trustees, providers and administrators could take to identify possible scams.

The new version builds upon the content of the first but now:

- includes guidance on how schemes can talk to members about their transfer,
- recommends schemes refer insistent members to The Pensions Advisory Service (TPAS),
- makes it easier for schemes to report suspected scams to Action Fraud, and
- includes case studies portraying real cases.

In a recent determination, the Pensions Ombudsman (TPO) found a public authority (Northumbria Police) guilty of maladministration when, in 2014, transferring the member's savings out of the Police Pension Scheme (PPS). The authority did not carry out adequate checks on the receiving scheme and failed to provide the officer with the official TPR literature. The authority was ordered to reinstate the member's benefits in the PPS (or provide equivalent benefits) and to pay £1,000 damages for distress.

On 14 August, TPR announced that, in conjunction with the FCA they have launched a new ScamSmart TV advertising campaign to raise awareness of pension fraud and the most common tactics used by scammers.

6.9 Pensions dashboard – results of feasibility study delayed

It has been previously reported that DWP were conducting a feasibility study to explore the options for delivering the dashboard and that this was due to be published at the end of March 2018.

At the time of writing, the findings of this feasibility study have still to be published. Given it is now less than a year until the dashboard was originally due to launch (in April 2019), this would appear to make these timescales increasingly difficult to achieve.

7.0 Finance

7.1 Cost per member

Shared service cost per member 2017/18 £14.35 (£14.91 for 2018/19 initial budget)

The 2017/18 annual cost of administering WYPF is £14.35 per member. This is the amount that has been used to recharge LPF. The projected outturn for Pension Administration will result in shared services charge of £14.03, although this is likely to increase with the appointment of additional staff. The reduction in charges is due to increased member number from new partners. Our projected cost per member is therefore below our target cost of £17.

8.0 Other News

LAPF Investment Awards

WYPF has been shortlisted under two categories at this year's LAPF Investment Awards which are recognized throughout the industry as a mark of excellence in the field of pensions fund investment/administration.

LGPS Fund of the year (assets over £2.5 billion) – Scheme Administration Award

The winners will be announced at a special gala evening taking place at the Savoy Hotel in London on Thursday 20th September, 2018.

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

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.