



Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources

Report to:	LGPS Local Pension Board
Date:	21 March 2024
Subject:	Pensions Administration Report

Summary:

This is the quarterly report by the Fund’s pension administrator, West Yorkshire Pension Fund (WYPF).

Matt Mott, Head of Governance and Business Development from WYPF, will update the Board on current administration issues.

Recommendation(s):

That the Board discuss the activity and performance of the administration service during the last quarter.

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 KPI narrative

The information shown below provides details of the KPIs where the target has not been met in the period 1 October 2023 to 31 December 2023.

The full table of KPIs are in Appendix A.

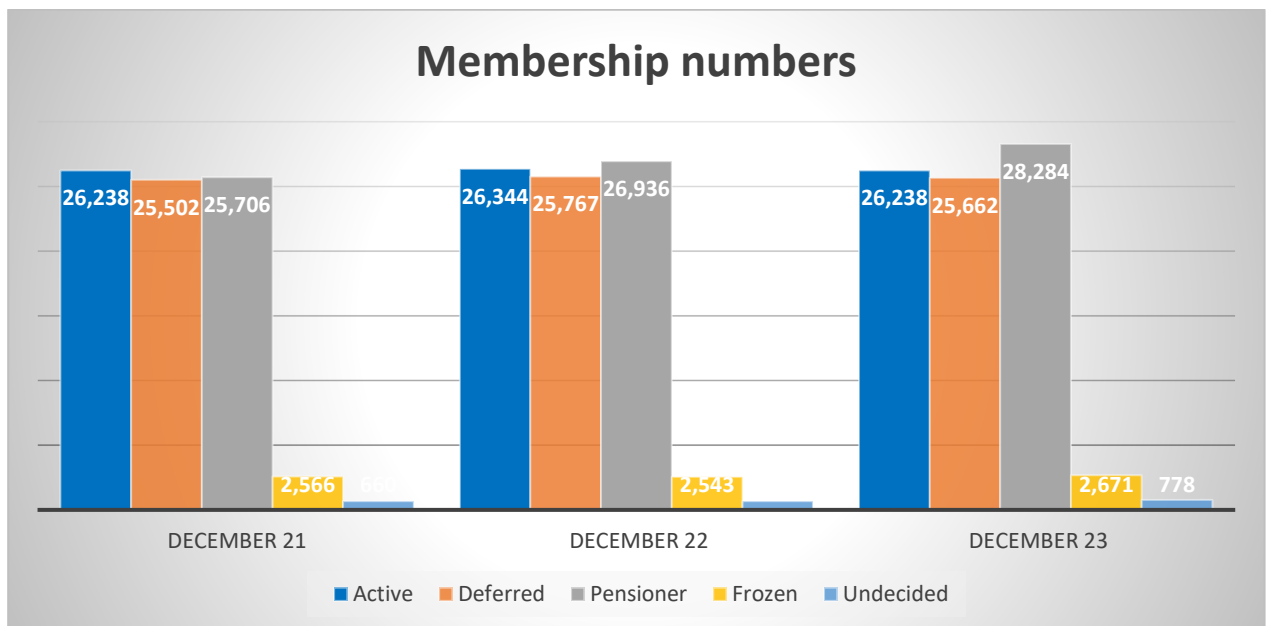
Work Type	Reason for underperformance	Target % met
Deferred Benefits Set Up on Leaving	The Early Leaver Team are dealing with older cases. The Team continues to split the work between older cases and BAU to ensure the new work coming in is completed in time but the number of older cases are also being reduced.	42.55%
Interfund Linking In Actual	The Team have been processing older cases so members will receive an ABS. Training has started for the final two members of staff on the update of records for linking interfund actuals. This will take time but as a result the two Senior Pensions Officers in the team will be moving onto checking these cases.	30%
Interfund Out Actual	Cases were stockpiled due to the revised GAD factors. This has been further impacted by staff sickness, vacancies and the need to prioritise other work including annual allowance, transfers out to other arrangements and divorce.	76.14%
Interfund Out Quote	Cases were stockpiled due to the revised GAD factors. This has been further impacted by staff sickness, vacancies and the need to prioritise other work including annual allowance, transfers out to other arrangements and divorce.	64.44%
Pension Estimate	A number of estimates received were for future dates. The Team have recently received several hundred estimate requests from some of the larger employers who are currently looking at reducing staff costs and these have been done in date order and has impacted the time to process some estimate requests.	84.38%
Transfer In Quote	Due to the receipt of revised factors, cases had to be stockpiled whilst we waited for the factors to be confirmed and then updated in UPM. The Team is now working their way through the cases which had been put on hold in date order.	76.56%
Transfer Out Payment	The Team continues to work through the cases that were stockpiled awaiting revised factors. Two new starters are currently in training in this work area, and absence in the team (for various reasons) has also impacted outputs. The Team continues to work through cases in	61.11%

	date order but remain unable to process any Transfer Out (Quote or Payment) where the record may be impacted by the McCloud Remedy.	
Transfer Out Quote	The Team continues to work through the cases that were stockpiled awaiting revised factors. Two new starters are currently in training in this work area, and absence in the team (for various reasons) has also impacted outputs. The Team continues to work through cases in date order but remain unable to process any Transfer Out (Quote or Payment) where the record may be impacted by the McCloud Remedy.	82.09%
Update Member Details	One form was processed outside the target days. However, overall, the forms are dealt with well within the process target.	99.79%

2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Pensioner	Frozen	Undecided
LGPS	26,238	25,662	28,284	2,671	778
Percentage of Membership	31.37%	30.68%	33.82%	3.19%	0.93%
Change from last Quarter	-280	+547	+402	+64	-49



2.2 Age Profile of the Scheme (report run in January 2024 so differs to the figures above)

	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	314	1646	1999	2381	3020	3236	3313	4084	3519	2080	416	89	26,097

3.0 Member and Employer Contact

3.1 Over the quarter October to December 23, **821** survey forms were emailed to Lincoln members; of those, **21 (2.55%)** were returned. All members can respond to the survey online via the member website at any time.

Appendix B – Customer Surveys

3.2 Employer Training

Over the quarter 1 October 2023 to 31 December 2023, the employer training was delivered by a third party, Hymans Robertson. Hymans are a financial services company who are experienced in delivering online training for LGPS employers. The sessions were available to all four Funds that WYPF administer:

- **Understanding the LGPS and conveying its benefits to members** (areas covered included members who leave before retirement, retirement types, pensions and tax, annual benefit statements and increasing your LGPS pensions)
- **Pensions terminology and historic issues, e.g. rule of 85, McCloud, Goodwin, member protections**
- **Employer responsibilities**
- **Understanding McCloud** (this covered an explanation of the McCloud remedy, any potential impact on their employees and crucially their responsibilities as employers)

The training sessions were recorded for those who could not attend and were made available for 2 months following the session.

4.0 Internal Dispute Resolution Procedure (IDRP)

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 by the Head of Pensions. Stage 2 appeals are considered by WYPF.

IDRPs for the period 1 October 2023 to 31 December 2023 are shown below -

Stage 1 appeals against the fund

There are currently no appeals outstanding.

Stage 1 appeals against scheme employers

There is currently one appeal outstanding.

Date appeal received	Reason for appeal	Current position / outcome	Date decision letter sent	Decision deadline
05/09/2023	Appeal against ill health retirement decision.	Appeal turned down.	17/11/2023	05/11/2023
03/10/2023	Appeal against ill health retirement decision.	Referred to employer – 10/10/2023. Response chased up – 20/12/2023.		03/12/2023

Stage 2 appeals

There are no appeals currently outstanding.

4.2 Pensions Ombudsman

There are currently two complaints outstanding.

Date complaint received	Reason for complaint	Current position	Outcome
14/03/2022	Member is unhappy that they did not receive unreduced pension benefits on ceasing employment.	Response provided to TPO explaining the Stage 2 decision that the employer had confirmed that the reason for leaving was voluntary resignation and not redundancy or business efficiency – 18/03/2022. Receipt of this acknowledged by TPO – 04/04/2022.	Awaiting a response back from The Pensions Ombudsman.

06/01/2023	Member is unhappy that the employer did not award ill health retirement on termination of their employment.	Response provided to TPO explaining the Stage 2 decision that the employer had confirmed the member did not meet the criteria for ill health retirement – 27/01/2023. Receipt of this acknowledged by TPO – 31/01/2023.	Awaiting a response back from The Pensions Ombudsman.
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5.0 Shared Service Update

5.1 Staffing

Finance – There are currently no vacancies in the Team.

Service Centre – Interviewing has been ongoing to fill the vacant Pension Officer posts. The Senior Pension Officer posts remain vacant as no suitable candidates were shortlisted from the last recruitment drive.

Technical Team - There is one vacancy in the Technical Team for a Technical Advisor which is an additional post and this has been advertised. The closing date for applications was 16 January 2024 and interviews will commence once the shortlisting has been finalised.

Employer Relations Team - An appointment has now been made to the additional Pension Fund Representative post and the appointee started on 15th January 2024. There are currently no vacancies in the Team.

5.2 Audits undertaken by Bradford Councils Internal Audit:

There were no audits in this period for the Shared Service.

5.3 Shared Service Budget

WYPF SHARED SERVICE	22/3	22/3	22/3	23/4	23/4	23/4	23/4	23/4
	BDGT	FINAL	COST PER MBR	BDGT	ACT PD09 DEC	FRCST PD09 DEC	VAR BGT - PD09	COST PER MBR PD9
	£000	£000		£000	£000	£000	£000	
Accommodation	125	189	£0.38	171	210	217	-46	£0.43
CBMDC Support Services	215	261	£0.52	263	282	282	-19	£0.56
Computer	216	750	£1.50	688	1,113	847	-159	£1.54
Contingency - Invest to save	500	0	£0.00	250	0	0	250	£0.00
Employees	4,246	4,430	£8.85	5,290	3,689	5,019	271	£9.93
Other Running Costs	170	250	£0.50	175	163	256	-81	£0.51
Printing & stationery	295	403	£0.80	346	264	368	-22	£0.73
WYPF Support Services	2,275	2,054	£4.10	2,304	0	2,462	-158	£4.89
WYPF SHARED SERVICE EXP	8,042	8,337	£16.65	9,487	5,721	9,451	36	£18.58
PER MBR				£18.56				£0.02
MBR NUMBER			500,749	511,052		MBR NUMBER PD09		505,562

Latest expenditure forecast for 2023/24 is £9.45m against a net budget of £9.49m, net underspend of £36k. Cost per member is currently projected to be £18.58 (£17.79 [base cost] + £0.79 [Dashboard, McCloud, Sargent]). The increased cost is due to base cost pressures – increased staffing resources, increase cost of service, improved system security and cyber processes.

- a. **Accommodation** – Overspend of £46k projected. There are several cyclical maintenance activities that are taking place in Aldermanbury House this year - lift work, security doors and gates. There is an upward pressure on cost of utilities and communal cleaning. Cyclical maintenances are planned in a 3yrs cycle and estimates are known. The cost line is an allocation from the total cost of the whole building cost paid for by Anchor (60%), DWP (20%) and WYPF (20%). Each work is tendered and building work costs have gone up since budget was set in January 2023 and there are also safety inspections resulting in additional costs.
- b. **CBMDC support service cost** – Very small overspend of £19k projected. We are in discussion with Bradford to revalidate these charges. Work carried out to date suggests no significant movement on current projected spend for 2023/24. The cost is projected to increase in 2024/25, because we are taking up more services from Bradford and we have also increased staff numbers whilst Bradford staff number has reduced. With increased supply and service contract cost we expect this to go up more until general inflation increases stabilise.
- c. **Computer costs / IT** – Overspend of £159k projected. This is due to IT equipment upgrades, cyber security measures, hardware improvements and system automation, move UPM from Oracle to SQL servers and scripts.

- d. **Invest to save** – the £250k provision is being used to support overspend elsewhere, hence zero spend is projected for 2023/24.
- e. **Employees** – Underspend of £271k projected, mainly due to vacancies in pension administration.
- f. **Other running costs** – Overspend of £81k projected, this cost line includes professional fees, banking charges for pension admin payroll payments, ISO 27001 quality audit, LGPS framework consultancy and subscription.
- g. **Printing and stationery** – Overspend of £22k is projected due to increased printed communications for new shared service partners’ members. We expect this forecast to go down – we are pushing our services to use emails, electronic processes and documents in communicating with members and clients.
- h. **WYPF support services** – Overspend of £158k is due to increased technical support in IT for Pension Admin (dashboard, monthly posting “MP3”), increased staff number for Communication Team, and Service Development Team.

	DETAILS	INVOICE	FORECAST PD09 2023/24
2022/23 ESTIMATE MEMBER 31MAR2022	79,131		
2022/23 MEMBER NO 31MAR2023 (ADJ)	82,776		
2022/23 ESTIMATE COST PER MEMBER	£16.67		
2022/23 ESTIMATE M-CLOUD COST PER MEMBER	£1.00		
2022/23 TOTAL ESTIMATE COST PER MEMBER	£17.67		
2022/23 ESTIMATE CHARGE (INC PREV YEARS ADJ)	£1,378,752.45		
2022/23 ACTUAL COST PER MEMBER	£15.92		
2022/23 ACTUAL M-CLOUD COST PER MEMBER	£0.80		
2022/23 TOTAL ACTUAL COST PER MEMBER	£16.72		
2022/23 ACTUAL COST	£1,383,940.22		
2022/23 ADJ		£5,187.77	
2023/24			
2023/24 ESTIMATE MEMBER NUMBER	82,776		83,633
2023/24 ESTIMATE COST PER MBR	£17.64		£17.79
2023/24 ESTIMATE M-CLOUD COST PER MEMBER	£1.00		£0.79
2023/24 TOTAL ESTIMATE COST PER MEMBER	£18.64		£18.58
2023/24 ESTIMATE CHARGE	£1,542,944.64	£1,542,944.64	£1,553,901.14

5.4 Shared Service Risk Register

Over the last 12 months as part of the collaboration of Shared Service Partners, a Risk Register has been produced. This considers the shared risks faced by all in the delivery of the Local Government Pension Scheme administration.

The Risk Register was reviewed at the Shared Service meeting in November 2023 and it was highlighted that Risk 2 will need a further review once the Shared Service Refresh has been completed.

Appendix C – Shared Service Risk Register

5.5 Policy Changes

The policy changes for the period 1 October 2023 to 31 December 2023 are –

Shared Service Refresh

- A meeting to discuss the Shared Service Refresh took place in London in September 23 between all the LG Shared Service Partners. The document has now been re-drafted following the meeting and is with Bradford Legal Services for approval.

5.6 Pensions Dashboard

Pensions Dashboard regulations enable all people who have a pension in the UK, 52 million, to see their pension provision via an online digital portal. There are a number of key aims for the Pensions Dashboard:

- to change the way people engage with and prepare for retirement by enabling individuals to see all their pensions information in one place online, including their state pension
- enable savers to better plan for their future
- increase competition in the pensions market therefore driving down costs e.g., highlighting expensive older funds
- making dashboard free to use enabling universal coverage

Since March 23, Department Work & Pensions (DWP) and Pensions Dashboard Programme (PDP) have been reviewing the Government's own delivery program required to launch Pensions Dashboard nationally. Both industry and public bodies have been directed to wait for the outcome of this re-set. This work has now been completed and DWP, The Pensions Regulator (TPR) and the FCA are engaging on a private and confidential basis on the way forward. The announcement regarding new connection dates will not formally be made by the Minister until this Spring.

The LGPS have written to DWP to raise concerns at the changes in operation for Additional Voluntary Contributions (AVC's). The changes transfer the data quality responsibility of AVC's from providers to the LGPS and the LGPS becomes responsible for the AVC's digital accessibility to Pensions Dashboard. The original legislation required the AVC provider to ensure compliance with Pensions Dashboard requirements.

6.0 Regulatory Update

a) Lifetime Allowance (LTA)

HM Treasury announced in November 23 that it will legislate in the Finance Bill 2023 to fully abolish the lifetime allowance from 6 April 2024. HMRC have confirmed that the Finance Bill 2023-24, which contains legislation to complete the abolition of the lifetime allowance, was passed through the House of Lords on Wednesday 21 February 2024 and will shortly receive Royal Assent.

HMRC have confirmed that they will publish another lifetime newsletter with further information and guidance in the next 2 weeks from 23 February 2024. From 6 April 2024 the LTA will be replaced by three new allowances –

1. Tax-free cash from a pension fund will be limited by the Lump Sum Allowance (LSA) which is set at £268,275 (25% of the LTA) or 25% of a members protected LTA.
2. A Lump Sum and Death Benefit Allowance (LSDBA) of £1,073,100 (the same as the current LTA) or the member's protected LTA will test both tax-free cash sums and pension benefit lump sums.
3. An Overseas Transfer Allowance (OTA) of £1,073,100 will be introduced for transfers to qualifying recognised overseas pension scheme (QROPS).

Full guidance has not yet been received and the Local Government Association (LGA) have confirmed that they are working with Aon to produce guidance for administering authorities on the changes. This will include a template declaration form.

WYPF are reviewing what changes need to be made internally and are awaiting the full guidance to be issued. As this will only affect a small number of members WYPF are looking at each affected member on a case-by-case basis.

Appendix D – Regulatory Update

7.0 Web Registrations

The number of members registered for online member web are:

Status	July to September 23	% of membership	October to December 23	% of membership
Active	12,959	48.87%	12,875	49.07%
Deferred	9,442	37.60%	9,620	37.49%
Pensioner	12,911	46.31%	13,049	46.14%
Total	35,312		35,544	

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	KPI Table
Appendix B	Customer Surveys
Appendix C	Shared Service Risk Register
Appendix D	Regulatory Update

Consultation

a) Risks and Impact Analysis

Lincolnshire Pension Fund also has a risk register which can be obtained by contacting the Head of Pensions.

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 Matt Mott, who can be contacted at matt.mott@wypf.org.uk

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