



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

Report to:	Lincolnshire Pension Board
Date:	13 July 2023
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 January 2023 to 31 March 2023. The full table of KPIs are in Appendix A.

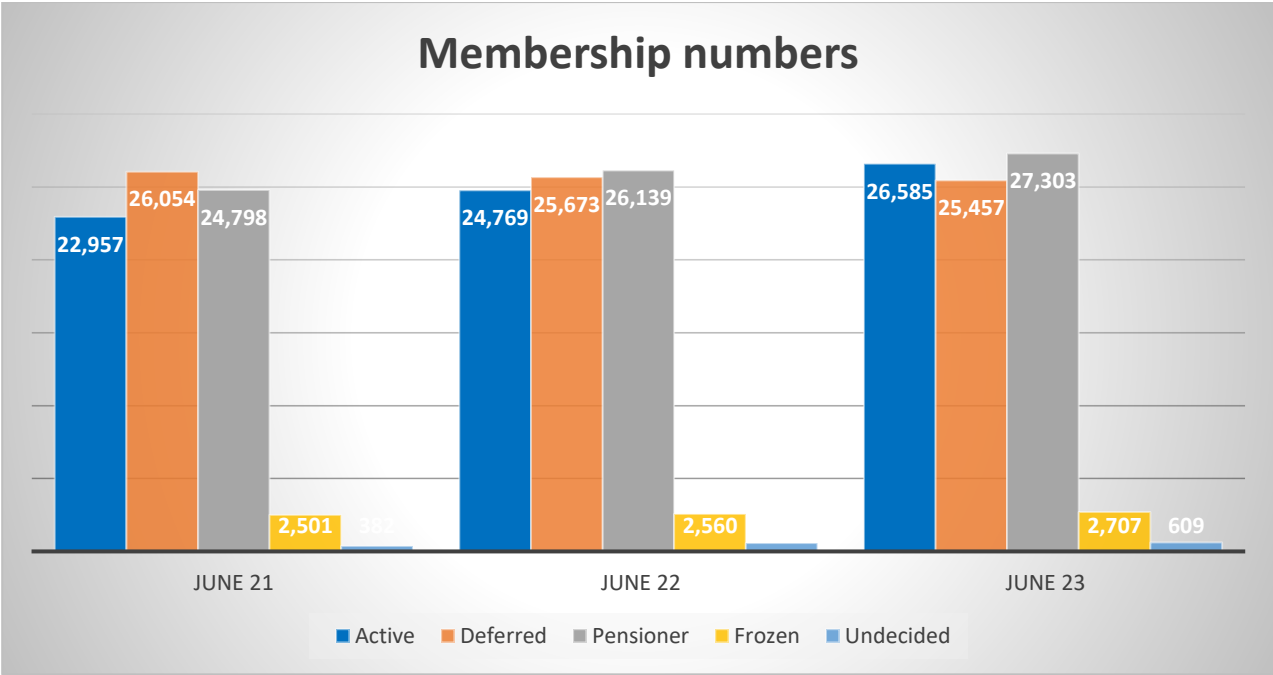
Work Type	Reason for underperformance	Target % met
Death In Service	Due to volumes of work in the team and staff using leave before the end of	66.67%

	the financial year, 3 cases were processed outside the target days.	
Deferred Benefits Into Payment Quote	There has been a significant increase in the requests for quotes. Members are requesting details of their benefits for current and also future dates. The requests are being dealt with by the Team in date order of retirement.	54.5%
Deferred Benefits Set Up on Leaving	The Team continue to work on the older cases to reduce the numbers as well as new BAU cases.	71.2%
Interfund Linking In Actual	The Team are training new staff and this is a complicated area to learn. New staff continue to be trained until they are able to process these independently.	53.85%
Monthly Posting	The Team have had staff sickness and also members of the Team on leave.	92.39%
Refund Quote	The Team are dealing with older cases which were put on hold in the early part of last year as the Team focussed on processing deferred benefits for the valuation extracts.	64.01%
Update Member Details	The Contact Centre are processing record maintenance forms in-between phone calls and training new staff.	83.88%

2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Pensioner	Frozen	Undecided
LGPS	26,585	25,457	27,303	2,707	609
Percentage of Membership	32.16%	30.80%	33.03%	3.28%	0.74%
Change from Last Quarter	+299	-331	+352	+76	-25



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	303	1749	2029	2478	3087	3281	3456	4176	3548	1982	410	86	26,585

3.0 Member and Employer Contact

3.1 Over the quarter January to March 2023 we received **1** online customer responses.

Over the quarter January to March 2023, **182** Lincolnshire member’s sample survey letters were sent out and **26 (14.3%)** returned:

Overall Customer Satisfaction Score:

January to March 2022	April to June 2022	July to September 2022	October to December 2022	January to March 2023
95.3%	80.2%	90.4%	81.3%	89.9%

Appendix B – Customer Surveys

3.2 Employer Training

Over the quarter 1 January to 31 March 2023 we held the following webinars which were attended by employers across all four Funds that WYPF administer:

- Authorised contacts and your year-end responsibilities
- Completing your March return: steps to success
- Understanding CPP (pay for CARE pension)
- Understanding Final Pay
- Assumed Pensionable Pay

All previous webinars have been recorded and are available to employers on the employer website.

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 January 2023 to 31 March 2023 are shown below -

Stage 1 appeals against the fund

There are currently no appeals outstanding

Date appeal received	Reason for appeal	Current position / outcome	Date decision letter sent	Decision deadline
01/02/2023	Decision on death benefits and contacting other potential beneficiaries.	Appeal turned down on the basis that the correct procedure had been followed in contacting other family members.	22/03/2023	01/04/2023

Stage 1 appeals against scheme employers

There are currently no appeals outstanding.

Stage 2 appeals

There are no appeals currently outstanding.

Date appeal received	Reason for appeal	Current position / outcome	Date decision letter sent	Decision deadline
03/10/2022	Appeal against refusal for employer to award ill health pension.	Holding letters were sent to the member, 01/12/2022, 04/01/2023, 14/02/2023 & 21/03/2023 as further medical evidence was needed from the employer but was not being sent. Employer called on 04/04/2023 to confirm that their health care provider will not release any further medical information direct to us but the member can request it. The member called and does not wish us to consider any further medical evidence. The appeal has been turned down.	13/06/2023	02/12/2022
08/01/2023	Member appealing as he regards his pension calculation to be incorrect.	The appeal was turned down but £500 to be paid by WYPF for distress and inconvenience.	06/03/2023	07/03/2023
13/02/2023	Delays in providing quotation for payment.	Acknowledgement sent to member – 22/02/2023. The appeal has been turned down.	03/04/2023	12/04/2023

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	A response was sent on 17/03/2022 opposing the allegations as it is the employer that determines the reason for leaving. The adjudicator at Stage	Awaiting a response back from The Pensions Ombudsman.

	pension benefits on ceasing employment.	2 had carefully considered all the evidence provided and could not conclude from this that the employer had terminated the member's employment by mutual consent on the grounds of business efficiency.	
06/01/2023	Member is unhappy that the employer did not award ill health retirement on termination of their employment.	A response was sent on 27/01/2023 opposing the allegations as it is the employer who determines whether a member is entitled to ill health retirement.	Awaiting a response back from The Pensions Ombudsman.

5.0 Shared Service Update

5.1 Staffing

Finance - There are currently no vacancies in the Finance Team.

Service Centre – 5 Senior Pension Officers have recently been recruited and these were all internal candidates. Recruitment to fill the vacant Pension Officer posts that have now been created will commence shortly.

Technical Team - There is one vacancy in the Technical Team for a Technical Advisor which is an additional post and this will be advertised shortly.

Employer Relations Team - There is one vacancy in the Employer Relations Team for a Pension Fund Representative which is an additional post within the Team. They are looking to recruit to this post later in the year.

5.2 Audits undertaken by Bradford Councils Internal Audit:

a) Reimbursement of Agency Payments 2022/23

It is audit's opinion that the standard of control of identified risks in the system is **excellent**.

The audit review has determined that the identified risks are being effectively managed. The control environment is as expected and supports the achievement of key business objectives. Assurance that the system is working as expected.

Internal Audit made no recommendations for improvement.

5.3 Shared Service Budget

WYPF SHARED SERVICE	21/22 FINAL	22/23 BDGT	22/23 FRCST MAR	22/23 ACT YREND	22/23 VAR YREND	22/23 PER MBR	23/24 ORG BDGT
	£000	£000	£000	£000	£000		£000
Accommodation	203	125	190	189	-64	£0.38	171
Actuary	0	0	0	0	0	£0.00	0
CBMDC Support Services	210	215	261	261	-46	£0.52	263
Computer	439	216	746	750	-534	£1.50	688
Contingency - Invest to save	0	500	0	0	500	£0.00	250
Employees	3,841	4,246	4,484	4,430	-184	£8.85	5,290
Other Running Costs	159	170	245	250	-80	£0.57	175
Printing & stationery	371	295	395	403	-108	£0.80	346
Transaction Costs	0	0	0	0	0	£0.00	0
WYPF Support Services	1,582	2,275	2,066	2,054	221	£4.10	2,342
WYPF SHARED SERVICE EXP	6,805	8,042	8,387	8,337	-295	£16.72	9,525
PER MBR sf3	£0.00						
PER MBR	£14.15	£17.67	£16.75	£16.65		-£0.95	£18.64
MBR NUMBER	480,970	482,400				500,749	511,052

Net overspend of £0.30m projected. Overspend projected on accommodation, computer – due to McCloud remedy system costs provisions, latest staff pay award, increased staffing resources for Pension Admin, and printing and stationery. Underspend – transfer of funds from invest to save to support increased staffing resources, computing and IT. Increased computer spend is funded mainly by the extra £1 charge per member across shared services.

- Accommodation** overspend of £0.06m – planned repairs and cost of utilities, increase due to Service Charges and Rents.
- CBMDC support service cost** - overspend of £0.05m, expected review of central support charges was delivered in October22 resulting in increased charges, this is against the background of increased service take up and staff increase in WYPF, whilst staff numbers in the Council has reduced.
- Computer costs / IT** – overspend of £0.53m, mainly due to provisions being made for McCloud system development, network servers, disaster recovery and digital services. Most of this is being funded by increase charges per member of £1.00 for total shared members of 500,749 (WYPF 319,489; partners 181,260).
- Invest to save** - out of a provision of £0.5m, £0.05m is left. £0.05m is being used to fund staffing resources across within shared service pension admin fund and additional IT projects.
- Employees** – overspend of £0.18m, mainly due to additional staff for pension administration. Increased staffing resources is needed in all areas

to address constant shifting regulations.

- f. **Other running costs** Other running costs overspend of £0.08m, main is due to professional fees, consultancy work and general subscriptions.
- g. **Printing and stationery** overspend of £0.11m, increased printed communications for new shared service partners' members.
- h. **WYPF support services** Underspend of £0.22m, due staff vacancies in Pension Admin and Investment Management.

Lincolnshire LGPS	MBR NO MAR23	2022/23 REVISED BUDGET	2022/23 ACTUAL	VAR BDGT-ACT PD12	2023/24 COST PER MBR	2023/24 BUDGET	MBR NO MAR23	2023/24 COST PER MBR PD13	2023/24 FORECAST PD1
CHARGE ACTUAL / FORECAST	82,776	-£1,378,752	1,383,940.22	-£2,762,693	16.72	£1,542,945	82,776	£18.64	£1,542,945

Lincolnshire LGPS	MBR NO ESTIMATE MAR24	EST CST PER MBR 24/25	EST 2024/25
CHARGE ACTUAL / FORECAST	79,517	£18.52	£1,472,440

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.

All the risks are reviewed on a quarterly basis and those that have a legislative requirement such as McCloud and Pensions Dashboard are prioritised.

Appendix C – Shared Service Risk Register

5.5 Policy Changes

None for the period 1 January 2023 to 31 March 2023.

5.6 Monthly Posting Phase 3 (MP3)

Monthly posting phase 3 is an update to the monthly return process which will require employers to self-manage the upload and allocation of the contribution file to the individual member records. It will move all the functionality onto to the front end website to enable Employers to process the data online.

The new system will also have the flexibility for the Finance team to take over and help employers to complete the submitted file process:

- validation, verification of the data
- Data loading onto the database
- Auto record matching
- Manual record matching
- Insert monthly posting data onto a member's record

- Identifying new joiners
- Identifying leavers

MP3 is due for release to employers once the cyber testing has been completed. The Finance Team have been showing employers/payroll providers the revised system through a series of demonstrations. Seven employers from Lincolnshire Pension Fund have confirmed that they will be happy to go ahead as soon as it goes live.

Once a 'go live' date has been agreed, there will be a rolling programme to get all employers on-board.

5.7 Pension Scams Pledge

All WYPF Board members have now completed their Pensions Regulator training on pension scams and WYPF have now signed up to the pension scams pledge with effect from April 2023.

6.0 Regulatory Update

a) Annual revaluation date change

In tax year 2015/16 HMRC changed the date pension growth, or revaluation, will be applied. A pension may grow in line with inflation (based on CPI in the September before the start of the tax year) which determines if there will be a tax liability for the member.

HMRC legislation determined for the 2022/23 tax year, a pension may grow 3.1% without contributing to a tax liability. LGPS regulations determined revaluation should be applied on 1 April 2023 based on the CPI value in September 2022 (same tax year 2022/23) which was 10.1%.

A 7% difference between the CPI value HMRC would measure as growth, 3.1%, and the amount the LGPS would have applied from 1 April 2023, 10.1%, would lead to a larger growth and may have caused additional tax charges for scheme members.

With effect from 31 March 2023 new LGPS regulations came into force and changed the date that the increase to Care pensions was applied. It moved from 1st April each year to 6th April each year. The increase that was due on 1st April 2023 was applied from 6th April 2023, meaning the CPI value of September 2022 of 10.1% was legitimately applied and aligned with the expectations of HMRC legislation.

WYPF have made the required changes so that the LGPS Care accounts are now revalued on the 6th April each year and means that the Annual Benefit Statements for 2023 are legislatively compliant.

b) Superannuation Contribution Adjusted for Past Experience (SCAPE) discount rate

The SCAPE rate is the discount rate used for the valuation of public sector pension schemes in the UK. On 30 March 2023, the Chief Secretary to the Treasury made a written ministerial statement confirming that the SCAPE discount rate has been adjusted to take into account the long term expected GDP growth figures published by the Office for Budget Responsibility (OBR) in July 2022.

Based on these figures the new SCAPE discount rate is CPI plus 1.7%. This is change from CPI plus 2.4%.

The reduced rate was effective from 30 March 2023. In the LGPS, this means that some non-club transfers and interfund calculations, and all Cash Equivalent Transfer Values (CETVs) for divorce purposes had to be suspended until the new factors were issued.

WYPF updated the member website with details of the hold on transfers and letters were also sent to any members whose cases were going to be delayed, explaining the position.

WYPF received an e-mail on 1 June 2023 containing some but not all the revised factors and these have been implemented immediately. Once all the remaining factors have been received we can start producing the quotes again.

The Government Actuarial Department (GAD), has advised all other factors may now be subject to a review and other calculations and processes may be revised or paused later this year.

c) Pension dashboards – delays to connection deadlines

On 2 March 2023 Department for Work & Pensions (DWP) announced that the Pensions Dashboard Programme (PDP) would require additional time to deliver the connection of pension providers and schemes.

As part of the reset of the PDP, DWP are laying amending Regulations with a new approach to delivery that will allow a more collaborative working with the pensions industry. The requirement to connect to the digital architecture will remain mandatory and this will now include a connection deadline of 31 October 2026.

WYPF are committed to the PDP and have had regular meetings with both DWP and the Pensions Regulator (TPR). Our intention is to maintain the staging date of September 2024 and are currently reviewing the Integrated Service Provider (ISP) provision from a number of good quality bids.

7.0 Web Registrations

The number of members registered for online member web are:

Status	October to December 22	% of membership	January to March 23	% of membership
Active	10,957	41.64%	11,852	44.58%
Deferred	8,218	31.90%	8,484	32.28%
Pensioner	10,490	38.90%	11,910	43.62%

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.

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

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