

# **Report of the Director, West Yorkshire Pension Fund, to the meeting of the West Yorkshire Pension Fund Pension Board to be held on 28 March 2018.**

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**Subject: Pensions Administration Report**

## **Summary statement:**

This report sets out developments within the Fund in the last year covering changes in employers, membership, Performance and Benchmarking, Employer and Customer Service Surveys, Internal Dispute Resolution Procedure Cases and External Business.

## **Recommendation**

It is recommended that the Local Pensions Board note the report.

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## 1.0 Introduction

- 1.1 The report considers recent developments within WYPF by providing information on Fund statistics, a summary of Internal Dispute Resolution Procedure cases (Appendix A), and results from Employer and Customer Service Surveys, including a sample of responses.

## 2.0 Scheme Employers

- 2.1 As at 31 December 2017 there were 450 employers within the WYPF.
- 2.2 During the past year 89 employers have been admitted as new employers to the WYPF, as follows:
- 15 Academy Trusts
  - 46 Trust/Foundation Schools
  - 1 Scheme Employer (Parish/Town Council)
  - 27 Admission Bodies
- 2.3 During the past year 48 employers have ceased their participation in the WYPF, with 35 employer transferring staff to another employer in the WYPF and 13 employers no longer have any active members in the WYPF.

## 3.0 Membership Changes

- 3.1 At 31 December 2017, the membership of WYPF was as follows, with the figures at the end of the last financial year given for comparative purposes.

	<u>31 December 2017</u>	<u>31 March 2017</u>
<b>Active Members</b>	<b>101,976</b>	<b>101,881</b>
<b>Current Pensioners</b> (including widows' and Childrens' pensions in payment)	<b>86,267</b>	<b>86,334</b>
<b>Deferred Members</b>	<b>97,059</b>	<b>96,605</b>
Deferred members	85,351	83,763
Undecided leavers	3,792	5,768
Frozen refunds	7,916	7,074
<b>Totals</b>	<b>285,302</b>	<b>284,820</b>

The continuing increase in overall membership is due to a combination of factors, not least of which is the effectiveness of WYPF's communication strategy.

## 4.0 Performance and benchmarking

4.1 The tables below shows the performance against key areas of work for the period 1 January 2017 to 31 December 2017.

<b>WORKTYPE</b>	<b>TOTAL CASES</b>	<b>TARGET DAYS FOR EACH CASE</b>	<b>TARGET MET CASES</b>	<b>MINIUM TARGET PERCENT</b>	<b>TARGET MET PERCENT</b>
AVC In-house (General)	1325	10	1280	85	96.6
Age 55 Increase LG	19	20	18	85	94.74
Article 4 Payment Death LG	251	10	221	85	88.05
Article 4 Payment Own Right LG	470	10	307	85	65.32
Change of Address LG	5956	5	5764	85	96.78
Change of Bank Details LG	1489	5	1287	85	86.43
DG Nomination Form Received LG	10098	20	10011	85	99.14
DWP request for Information LG	381	10	353	85	92.65
Death Grant to Set Up LG	515	5	480	85	93.20
Death In Retirement LG	2547	5	2313	85	90.81
Death In Service LG	72	5	59	85	81.94
Death on Deferred LG	149	5	119	85	79.87
Deferred Benefits Into Payment Actual	2153	5	1897	90	88.11
Deferred Benefits Into Payment Quote	2291	35	2220	85	96.9
Deferred Benefits Set Up on Leaving	10749	20	8001	85	74.43
Divorce Quote LG	540	20	510	85	94.44
Divorce Settlement Pension Sharing order Implemented	41	80	41	100	100
General Payroll Changes LG	3243	5	3134	85	96.64
Initial Letter Death in Service LG	72	5	69	85	95.83
Initial letter Death in Retirement LG	2547	5	2382	85	93.52
Initial letter Death on Deferred LG	149	5	113	85	75.84
Life Certificate Received LG	5158	10	4938	85	95.73
Monthly Posting	5490	10	4435	95	80.78
NI Modification LG	145	20	136	85	93.79
Pension Estimate	7175	10	5943	75	82.83
Refund Payment	2675	10	2629	95	98.28
Refund Quote	4370	35	3999	85	91.51

WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Retirement Actual	3031	3	2761	90	91.09
Retirement Quote	3625	10	3415	85	94.21
Set Up New Spouse Pension LG	1063	5	925	85	87.01
Spouse Potential LG	190	20	99	85	76.32
Transfer In Actual	492	35	451	85	91.67
Transfer In Quote	678	35	658	85	97.05
Transfer Out Payment	270	35	245	85	90.74
Transfer Out Quote	1588	20	1425	85	89.74

Reasons for underperforming KPI's:

Article 4 Payment Own Right LG	Complex cases requiring further investigation or information.
Death In Service LG	Awaiting details from Employers
Death on Deferred LG	NFI returns have resulted in new cases where we have no details of next of kin so require further investigation.
Deferred Benefits Set Up on Leaving	Old backlog forms received which have increased volumes and impacted on workloads.
Initial letter Death on Deferred LG	NFI returns have resulted in new cases where we have no details of next of kin so require further investigation.
Monthly Posting	Files that cannot be validated because of errors, queries, mismatches etc. Average time taken across all employers is less than 10 days.
Spouse Potential LG	Higher volumes of work in other areas has resulted in this KPI being given lower priority.

#### 4.2 Annual Benefit Statements

<b>Annual Benefit Statements as at 31 August 2017</b>			
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

## **5.0 Customer Service Surveys**

### **5.1 Member Surveys**

To help improve our service WYPF encourages members to complete an on-line Customer Service Survey and also writes to a sample of members who have recently joined, retired or left the WYPF. During the period from 1 October 2016 to 30 September 2017 WYPF received 269 completed surveys and the overall customer satisfaction score was 87%. The responses to the surveys are generally favourable and given below are some of the comments made by members:

- Extremely helpful and quick responses. I was kept well informed with pension concerns and quick responses to my queries, every form has been simple and easy to use and complete.
- Quick and easy. I was transferring 3 old pensions over and was very easy to do from your point helping me. Very helpful on Phone told me what to do.
- It was excellent. I got through straight away and my queries were dealt with efficiently and a helpful pleasant manner.
- Efficient. Every time I phoned WYPF, my questions were answered efficiently and I felt certainty.
- Very good. I received my lump sum on the exact date given. So great.
- Warm & friendly person at the end of the phone. I had no idea about putting in a pension claim. I have talked through it step by step.
- Fantastic service. Took all the worry away.

### **5.2 Scheme Employer Surveys**

Each March WYPF asks Scheme employers to complete a satisfaction survey. In March 2017 all authorised users at Scheme employers were notified of the survey and 132 online responses were received. The overall satisfaction score was 84.70%. Below are some of the comments that were received from Scheme employers:

- Thank you wypf you are very helpful.
- Thank you for all your support
- I have always found the team very approachable and extremely helpful.
- The staff are always polite and helpful whatever your query or problems is.

## **6.0 Internal Dispute Resolution Procedure (IDRP)**

- 6.1 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 Director in his capacity as the Adjudicator for this purpose. At Stage 2, the right of appeal for all types of appeals (employer or administering authority) is to the administering authority and these are considered by the Chief Executive of City of Bradford Metropolitan District Council. In 2017 ten Stage 1 determinations were made and there were a total of twenty two Stage 2 determinations, as detailed in Appendix A.
- 6.2 There has been an increase in the number of Stage 1 appeals, however all were turned down, which demonstrates that WYPF has robust systems and processes in place.
- 6.3 The number of Stage 2 appeals has also increased, the majority of them still concern payment of benefits due to ill health and tier of ill health benefits awarded. The number of appeals referred back to the employer has increased. To help employers better deal with appeals WYPF has produced a guide.
- 6.4 The Pensions Ombudsman can consider complaints and allegations of maladministration, once the two stages of the IDRP have been exhausted. In 2017 the Pensions Ombudsman issued one determination in respect of complaints made against the WYPF, the complainant was awarded £500 for the significant distress caused by maladministration.

## **7.0 Current Issues**

### **7.1 Assistant coroners & eligibility for LGPS**

The LGPC Secretariat have received a Counsel's view on the eligibility of assistant coroners for membership of the LGPS in England and Wales, which concludes that assistant coroners are eligible for membership of the scheme.

### **7.2 Publication of LGPS statistics for 2016/17**

DCLG have published their annual statistics on the LGPS in England and Wales, covering the 2016/17 scheme year.

The statistics are collated from the SF3 forms completed by LGPS funds each year and show the following (removing the effect of the merger of the Richmond and Wandsworth pension funds during 2016/17):

- Total expenditure in 2016/17 was £11.8 billion, up £0.4 billion from 2015/16.
- Total income in 2016/17 was £14.7 billion, up £0.7 billion from 2015/16.

- Overall, total expenditure was 81% of income in 2016/17, the same as in 2015/16.
- The market value of LGPS funds was £259 billion at the end of March 2017, an increase of £45 billion or 21% on March 2016.
- Active membership was up to 1,964,000 in 2016/17, from 1,943,000 in 2015/16.
- Active membership as a proportion of total membership was 35.16% in 2016/17, down from 36.00% in 2015/16.

### 7.3 September 2017 rate of CPI

On 17 October 2017, [the Office for National Statistics \(ONS\) announced](#) that the Consumer Prices Index (CPI) rate of inflation for September 2017 was 3.0%.

Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year.

We await confirmation from the Government that revaluation and pensions increase for April 2018 will apply in the LGPS at a rate of 3.0%.

### 7.4 SAB tier 3 employer project – publication of surveys

The Scheme Advisory Board for the LGPS in England and Wales (SAB) has appointed Aon Hewitt to help them in their review of Tier 3 employers in the LGPS. Tier 3 employers are all those with no tax-payer backing (i.e. colleges, universities, housing associations, charities and any admission bodies with no guarantee from a Council, academy or other tax-payer backed employer).

For clarity, admission bodies falling within paragraph 1(d) of Part 3 of Schedule 2 to the LGPS 2013 Regulations, i.e. bodies formerly known as transferee admission bodies, are not classed as Tier 3 employers because they have a statutory guarantee from the related employer.

The aims of the exercise are to identify:

- the duties, benefits, issues and challenges for LGPS funds, Tier 3 employers and their scheme members with regard to their participation in the LGPS
- options for change that would improve the funding, administration, participation and member experience with regard to Tier 3 employers.

A key element of this project is information gathering and, on 27<sup>th</sup> November, the SAB launched three surveys for completion by:

- a) LGPS administering authorities - <http://lgpsregs.org/survey/administering-authorities.php>,
- b) Tier 3 employers - <http://lgpsregs.org/survey/employer.php>, and
- c) LGPS members employed by tier 3 employers - <https://lgpsmember.org/survey/member.php>

The surveys closed on 31 December 2017 (Tier 3 employers survey has now been extended to 31 January 2018).

## 7.5 SAB letter to the Minister regarding survivor benefits

As agreed by the Scheme Advisory Board on the 16 November, the Chair, Councillor Roger Phillips, wrote to the Local Government Minister, Marcus Jones, on the 27 November setting out the Board's intention to explore the scope for eliminating any existing inequalities in the scheme regarding survivor benefits.

The letter went on to confirm that the Government Actuary's Department should be commissioned to cost any such proposal ranging from full retrospective to equalising future survivor benefits only. At this stage, and in the absence of any such costing, the Board has no firm view on how any such proposal should be applied.

*In the meantime, representations will continue to be made to DCLG for clarification on the extent to which the Brewster judgment applies to the LGPS in England and Wales.*

## 7.6 Pensions Dashboard update

The Association of British Insurers (ABI), the organisation which steered the development of the Dashboard prototype, [published a report](#) containing a series of policy recommendations on how to develop a Dashboard that would bring about lasting benefits for pensions savers in the UK.

At the PLSA Conference, Guy Opperman MP, Minister for Pensions and Financial Inclusion, announced that DWP will take over responsibility for the introduction of the Pensions Dashboard from HM Treasury. DWP's involvement will begin with the undertaking of a feasibility study in the coming months, with the Department due to provide a fuller update on its plans in spring.

## 7.7 Autumn Budget 2017

On 22 November 2017, the Chancellor of the Exchequer delivered the [Autumn Budget 2017](#).

The Budget was a relatively quiet one for pensions but did include confirmation that the lifetime allowance will be going up to £1,030,000 from 6 April 2018. This increase is in line with the policy that the Government announced in the March 2015 Budget.

## 7.8 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.

## 7.9 Update on exit payments

A fresh consultation on draft regulations governing the exit payment cap and exit payment recovery was 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.

## 7.10 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.

<b>Measure</b>	<b>Implementation</b>
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.
<p>Limiting the statutory right to transfer so that individuals only have a statutory right to transfer to the following schemes:</p> <ul style="list-style-type: none"> <li>• To personal pension schemes operated by firms authorised by the FCA</li> <li>• To authorised master trust schemes</li> <li>• Where a genuine employment link to the receiving occupational scheme can be evidenced</li> </ul>	<p>The Government intends to work closely with industry, consumer groups and other stakeholders on how best to implement the employment link and add Qualified Recognised Overseas Pension Scheme (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>
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.	The Government intend to introduce legislation in a Finance Bill later in 2017 to introduce this requirement.

#### 7.12 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 B 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.

## **8. News**

- 8.1 WYPF were winners of the Scheme Governance Award hosted by the LAPF Investment Awards on 19<sup>th</sup> 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

WYPF were also shortlisted by Pensions Age Awards under the following categories:

- DB Scheme of the Year
- Pension Scheme Communication Award
- Pension Administration award
- Pension Scheme Innovation Award

## **9.0 External Business**

- 9.1 On 1 April 2015 WYPF entered into a joint service agreement to administer the Lincolnshire Pension Fund. Information in relation to this is contained in a separate report.
- 9.2 WYPF continues to provide pension administration services to West Yorkshire, North Yorkshire, South Yorkshire, Humberside, Lincolnshire, Royal Berkshire and Buckinghamshire and Milton Keynes Fire and Rescue Services. A separate report is provided on these arrangements.
- 9.3 WYPF's reputation to provide a top class service at a low cost is growing across the sector and is further enhanced by being appointed by the London Borough of Hounslow to provide a shared service administration from August 2018.
- 9.4 WYPF acts as the Adjudicator for Stage 1 appeals for a number of Administering and Employing Authorities outside the West Yorkshire area. In 2017 the WYPF made 80 decisions which generated income of around £20,000.

Appendix A

IDRP 2017

	<b>Number of Determinations</b>	<b>Outcomes</b>	<b>Type</b>
<b>STAGE 1</b>	10		
		10 Turned down	<ul style="list-style-type: none"> <li>1 Incorrect estimate</li> <li>2 Distribution of death grant</li> <li>1 Delays in paying pension</li> <li>1 Refusal to allow transfer out</li> <li>2 Overpayment of pension</li> <li>1 Incorrect Annual Benefit Statement</li> <li>1 Incorrect guidance regarding retirement options</li> <li>1 Only one death grant paid</li> </ul>
<b>STAGE 2</b>	22		
<b>AGAINST EMPLOYER</b>	17	13 Turned down	<ul style="list-style-type: none"> <li>3 Entitlement to ill health pension</li> <li>1 Tier of ill health pension</li> <li>5 Early payment of deferred benefits</li> <li>1 Cessation of tier 3 ill health pension</li> <li>1 Member contribution rate</li> <li>1 Not allowed to link previous membership</li> <li>1 Outcome of review of tier 3 ill health pension</li> </ul>
		4 Referred back to employer to reconsider	<ul style="list-style-type: none"> <li>2 Entitlement to ill health pension</li> <li>2 Early payment of deferred benefits</li> </ul>
<b>AGAINST WYPF</b>	5	5 Turned down	<ul style="list-style-type: none"> <li>1 Incorrect estimate</li> <li>1 Overpayment of pension</li> <li>2 Distribution of death grant</li> <li>1 Only one death grant paid</li> </ul>