

Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 July 2018.

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Subject:

Shared Service Partnership with Lincolnshire Pension Fund

Summary statement:

This report gives an update on the West Yorkshire Pension Fund's (WYPF) shared service partnership to provide a pensions administration service for Lincolnshire Pension Fund (LPF), which commenced on 1 April 2015.

Recommendation:

It is recommended that the Joint Advisory Group note the report.

Mr Rodney Barton
Director

Portfolio:

Report Contact: Yunus Gajra
Phone: (01274) 432343
E-mail: Yunus.gajra@bradford.gov.uk

Overview & Scrutiny Area:

1.0 Background

1.1 WYPF provides a full administration service to LPF for both the LGPS and Firefighters' Pension Scheme. This includes pensioner payroll, all member and scheme level events, reporting to statutory bodies, provision of data to external bodies such as actuaries, and Lincolnshire County Council (LCC) Resources Directorate for the production of the scheme accounts.

2.0 Performance and Benchmarking

2.1 The table below shows the performance against key areas of work for the period 1 April 2018 to 30 June 2018.

KPI's for the Period 1.4.18 – 30.6.18					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
AVC In-house (General)	83	10	82	85	98.8
Age 55 Increase LG	2	20	2	85	100
Change of Address LG	244	5	237	85	97.13
Change of Bank Details LG	82	5	72	85	87.8
DG Nomination Form Received LG	895	20	650	85	72.63
DWP request for Information LG	29	10	28	85	96.55
Death Grant to Set Up LG	36	5	35	85	97.22
Death In Retirement LG	141	5	127	85	90.07
Death In Service LG	8	5	7	85	87.5
Death on Deferred LG	9	5	8	85	88.89
Deferred Benefits Into Payment Actual	260	5	254	90	97.69
Deferred Benefits Into Payment Quote	302	35	294	85	97.35
Deferred Benefits Set Up on Leaving	944	20	901	85	95.44
Divorce Quote LG	41	20	40	85	97.56
Enquiry LG	4	5	4	85	100
General Payroll Changes LG	135	5	131	85	97.04
Initial Letter Death in Service LG	8	5	8	85	100
Initial letter Death in Retirement LG	141	5	139	85	98.58
Initial letter Death on Deferred LG	9	5	9	85	100
Life Certificate Received LG	4	10	3	85	75
Monthly Posting	916	10	686	95	74.89
NI Modification LG	4	20	4	85	100
Pension Estimate	372	10	318	75	85.48

Refund Payment	131	10	126	95	96.18
Refund Quote	183	35	181	85	98.91
Retirement Actual	128	3	121	90	94.53
Set Up New Spouse Pension LG	78	5	62	85	79.49
Spouse Potential LG	11	20	10	85	90.91
Transfer In Actual	12	35	10	85	83.33
Transfer In Quote	50	35	50	85	100
Transfer Out Payment	9	35	8	85	88.89
Transfer Out Quote	94	20	77	85	81.91

Reasons for underperforming KPI's:

DG Nomination Form Received LG	Large volume received as part of the Benefit Statement exercise. Low priority.
Monthly Posting	Files that cannot be validated because of errors, queries, mismatches etc. Average time taken across all employers is less than 10 days.
Set Up New Spouse Pension LG	Although slightly below target still paid by the next payroll.
Transfer Out Quote	Average time taken 22 days, no impact on members

3.0 Scheme Information

3.1 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 from April 18)	+601	+450	-1,152	+340	+3

3.2 Age Profile of the Scheme

Status	Age Groups												
	U20	20-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70	70+	TOTAL
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

3.3 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

4.0 Praise and Complaints

4.1 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 all responses.

4.2 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.

4.3 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 all responses.

5.0 Internal Disputes Resolution Procedures

5.1 All occupational pension schemes are required to operate an IDR. 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	12/4/2018	Turned down.	Satisfied that decision to turn down transfer out of benefits was correct.

			benefits.			
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Ombudsman

5.2 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, LPF 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.

6.0 Administration Update

6.1 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.

6.2 GDPR Update

6.2.1 Privacy Notices

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

6.2.2 Contracts

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

6.2.3 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.

6.3 Annual Benefit Statements and Newsletter

The spring Newsletter is being issued to all active members with their Annual Benefit Statements. To date 19,274 Statements have been printed representing 87.20%.

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 and P60.

Appendix 4 – Annual Benefit Statement/Active Member Newsletter

6.4 Branding

As well as providing administration for Lincolnshire and 14 Fire Authorities, WYPF will be taking on the London Borough of Hounslow from 1 August 2018. Our letter head will have 3 LGPS Logos on as a temporary solution but ideally we want a new branding to complement the service we provide nationally. We will therefore be looking to come up with a new name for 'Administration' purposes. The Funds will still retain their separate identities.

7.0 Current Issues

7.1 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 of £4,000m.

- 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.

7.2 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 with 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.'

7.3 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 SAB 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 SAB 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.

7.4 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.

8.0 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 process as we can thereby reducing the amount of manual intervention required from staff. Recalculations to pensions will follow after this work has been completed.

9.0 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	Letterhead