

Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 31 January 2019.

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Subject:

Shared Service Update – London Borough of Hounslow Pension Fund

Summary statement:

The London Borough of Hounslow became the third partner in our Share Service Partnership on 1 August 2018.

This is a report on current administration issues and performance to date.

Recommendation:

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

Mr Rodney Barton
Director

Portfolio:

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Overview & Scrutiny Area:

Background

1.0 Introduction

- 1.1 The London Borough of Hounslow (LBH) chose West Yorkshire Pension Fund (WYPF) as its partner to run administration for the Local Government Pension Scheme (LGPS) from 1 August 2018. LBH has therefore become the third partner in the Shared Service arrangement between WYPF and Lincolnshire Pension Fund. LBH members and employers can look forward to receiving a high quality service.
- 1.2 Pensions administration to the LBH Pension Fund was previously provided by Capita.
- 1.3 WYPF will deal with pensions administration while the London Borough of Hounslow will continue to pay monthly pensions just as before through its partner Liberata.
- 1.4 Performance and Benchmarking

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.

The table below shows the performance against key areas of work for the period 1 October 2018 to 31 December 2018.

KPI's for the Period 1.10.18 to 31.12.18						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE (days)	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN (days)
Additional Voluntary Contributions	11	10	11	85	100	0.27
Change of Address	111	5	109	85	98.2	0.44
Death Grant Nomination Form Received	730	20	730	85	100	0.04
DWP request for Information	5	10	3	85	60	17.8
Death Grant to Set Up	15	5	15	85	100	0.27
Death In Retirement	105	5	53	85	50.48	8.13
Death In Service	2	5	2	85	100	4
Death on Deferred	5	5	1	85	20	7.4
Deferred Benefits Into	94	5	92	90	97.87	0.87

Payment Actual						
Deferred Benefits Into Payment Quote	118	35	118	85	100	0.87
KPI's for the Period 1.10.18 to 31.12.18						
Deferred Benefits Set Up on Leaving	153	20	153	85	100	0.1
Divorce Quote	5	20	5	85	100	0.4
Divorce Settlement Pension Sharing order Implemented	1	80	1	100	100	0
Initial Letter Death in Service	2	5	2	85	100	1.5
Initial letter Death in Retirement	105	5	53	85	50.48	13.38
Initial letter Death on Deferred	5	5	4	85	80	2.8
NI Modification	1	20	0	85	0	39
Pension Estimate	87	10	87	75	100	0.21
Refund Payment	17	10	17	95	100	0.47
Refund Quote	37	35	37	85	100	0.57
Retirement Actual	51	3	50	90	98.04	0.33
Retirement Quote	46	10	46	85	100	0.41
Spouse Potential	1	20	0	85	0	32
Transfer In Actual	5	35	5	85	100	7.2
Transfer In Quote	4	35	4	85	100	0
Transfer Out Payment	3	35	2	85	66.67	12.33
Transfer Out Quote	30	20	29	85	96.67	4.03

Reasons for underperforming KPI's

It should be noted that performance will be affected in the early stages of the contract for a number of reasons, namely:

- a) Backlogs received from Capita. A total of 2302 cases were inherited from Capita, 1921 of these have been completed.
- b) Missing or partial data received from Capita
- c) Training required for Liberata staff to learn the Civica pensions administration system.
- d) There are currently 888 cases pending, these are where we are waiting for information either from Liberata or from the member. The balance of outstanding processes are work in progress.

2.0 Scheme Information

2.1 Membership numbers as at December 18 were as follows:

	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	6,542	7,911	639	6,502	1,160
Change	-685	-16	+564	+74	+17

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	15	252	443	558	776	881	935	1130	897	475	136	44	6542
Beneficiary Pensioner	30	31	8	3	4	1	12	28	38	60	89	544	848
Deferred	0	81	321	681	893	1003	1286	1662	1338	546	65	27	7903
Deferred EX Spouse	0	0	0	0	0	0	3	3	1	0	0	0	7
Undecided	0	2	51	64	78	78	107	98	71	51	22	17	639
Pensioner	0	2	2	0	0	0	5	39	333	880	1304	3085	5650
Pensioner Deferred	0	0	0	0	0	0	0	0	0	1	0	0	1
Pensioner EX Spouse	0	0	0	0	0	0	0	0	0	3	1	0	4
Preserved Refund	0	4	8	38	116	147	195	212	196	104	54	86	1160
Total													22754

3.0 Administration Update

3.1 The Pensions Regulator Returns

WYPF has completed TPR returns recently received. We are required to report a data quality score by measuring the quality of our data for common data and scheme specific data. Common data is defined so will be easy to measure but scheme specific data is not defined so it is expected that Administering Authorities will be measuring different data fields. LGA have said they will do a fuller consultation next year to come up with a standard definition. The most common data issue for common data failures is not having a current address (deferred's). WYPF are already using a tracing bureau for these cases so this will form part of the data improvement plan. Hounslow's data score is as follows:

TPR Score - Common 88.72
 TPR Score - Conditional 69.78

3.2 Annual Benefit Statements (ABS)

Capita had issued no ABSs by 1 August when the administration transferred (WYPF had issued 90% of its own statements by 1 August)

To date 90% of ABS's have been issued. The remaining 10% not issued are due to:

- Final Pay Missing – Final Pay missing – waiting for Employer to provide.
- No contributions/pay posted for 2017/2018. Either the members have left before 2017/2018, (employer needs to submit a leaver form) or the employer needs to provide pay for 2017/2018 to enable us to produce the ABS.

STAGE	DESCRIPTION	HPF
Start	Active at 31/03/2018 and 6am this morning	5622
	Data conversion complete	5622
	Data conversion incomplete	0
Posting Progress	Waiting for March Return	0
	Being worked on by Finance	0
	Posting complete (how many)	5622
	Posting complete (percentage)	100
Blocked Statements (Employer)	Statement Block process running	457
	Lost Contact	78
	Address Query process running	0
	Final pay missing	1
	Total Employer Blocks	536
Blocked Statements (WYPF)	Linking Actual	0
	Interfund	12
	Monthly > Earnings > CARE error	0
	Specified process running	3
	Total WYPF Blocks	16
Production	In the Queue	0
	Printed (how many)	5073
	Printed (percentage)	90.20

We became aware that statements for members who work term time did not look right. This is because Capita recorded term-time working hours differently to how they told us they did during the transition process.

However, this doesn't necessarily mean the pension figures on the statements are wrong, because hours are no longer relevant to the calculation since we moved to a career-average (CARE) scheme in 2014. As long as the pay figure is right the information on the statements is correct.

WYPF will now update all affected records, so when members receive their statement next year they should recognise their working hours more easily. We have informed the affected staff that if they want a revised statement with the corrected hours then we will send one on request.

3.3 Annual Meeting

WYPF attended LBH's Annual General Meeting held on 14 November. The Business Development Manager gave a presentation to the audience which was very well received.

3.4 Pensions Committee (Pensions Panel)

The Business Manager also attended the Pensions Panel meeting to present a report. The Panel complimented WYPF on the transition process from Capita to WYPF and the noticeable difference already being experienced by members of the Fund and the Panel.

3.4 Praise and Complaints

There has been lots of positive feedback from members of LBH who have been impressed with the service received from WYPF. Some members have waited a very long time to receive payment of benefits, estimates, transfer details etc.

4.0 The Pensions Regulator (TPR) - Proactive engagement with LGPS funds planned for 2018 and 2019

4.1 The Pensions Regulator's (TPR) Corporate Plan for 2018-2021 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes.

4.2 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.

4.3 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.

4.4 Whilst not made public, it has been reported the TPR has chosen ten LGPS Funds to engage with. LBH have confirmed to us that they are one of the chosen Funds (we believe this is largely due to their failure to issue Annual Benefit Statements in the last couple of years by the statutory deadline of 31 August).

4.5 TPR have scheduled a visit to LBH for January and it is anticipated that it 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

5.0 Internal Disputes Resolution Procedure

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 Hounslow.

5.2 WYPF have adjudicated on two stage 1 appeals against LBH. Both appeals were turned down (see details below), although there appears to be grounds for maladministration in both cases.

Date of Claim	Employer	Nature of Dispute	Decision
05/06/2018	Hounslow LBC	Incorrect estimate supplied by previous administrator showing much higher benefits than those quoted at retirement. The complaint also cited delays in making payment of benefits.	Turned Down
15/10/2018	Hounslow LBC	Pension benefits payable on retirement date had reduced from the estimate supplied by previous administrator. Member did not receive payment in accordance with the timescales given.	Turned Down

6.0 Finance

6.1 Annual income generated from the contract is expected to be in the region of £330k.

7.0 Collaboration Board

7.1 LB of Hounslow are now on the Collaboration Board with WYPF and LPF and the first meeting of the enlarged Board took place on 9 October.

7.2 The role of the Collaboration Board is to:

- Monitor and review the performance of the Services;
- Highlight and monitor any areas of risk;
- Review structure, resources and associated governance frameworks;
- Review capability and capacity to deliver the Services;
- Review business processes
- Monitor performance against KPI's;
- Keep track of costs incurred in the delivery of the Services;
- Keep the service costs template under review;
- Identify and implement efficiencies;
- Develop the Services;
- Take corrective and preventive actions to resolve service deficiencies

Conclusion

Whilst the initial period of the contract has been challenging, WYPF and LBH are working closely as shared service partners to provide an efficient and effective service to all stakeholders within the Hounslow Pension Fund.