

your  
pension  
service

PENSION FUND ADMINISTRATION SUB COMMITTEE APPENDIX A

# LANCASHIRE COUNTY PENSION FUND

## Administration Report 2011/12



# 1. INTRODUCTION

## a) Purpose

This annual administration report is produced in accordance with the Service Level Agreement (SLA) for the provision of pension administration services to Lancashire County Pension Fund. The report describes the performance of Your Pension Service against the standards set out in the SLA during the year.

The SLA exists between Your Pension Service and the Pension Fund Committee for the provision of a range of pension administration services and support. This agreement has been in place since 31 October 1997.

The report also explains the activities and events undertaken by Your Pension Service (YPS) over the reporting year.

## b) Review of the Year

2011 has been a year of change within Your Pension Service. By far the biggest development within the Service was the transfer of the Fund's pensioner payroll to our integrated pensions administration and

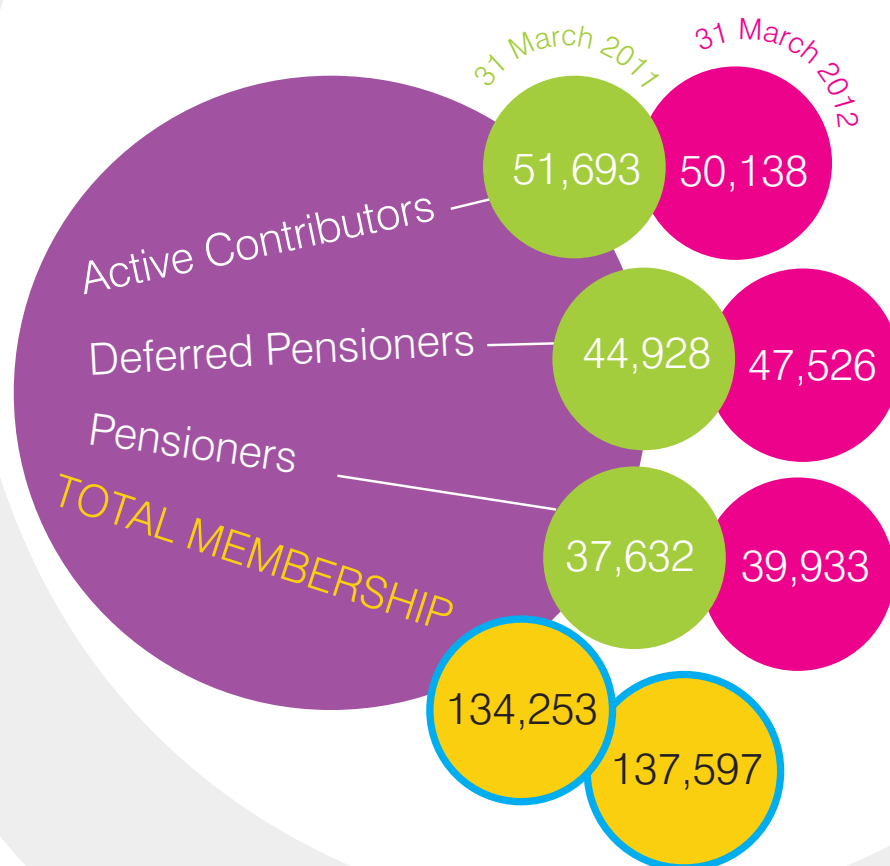
payroll system. Although this change has led to some upheaval in the short term, it has, however, resulted in significant savings that the Service has been able to pass on to its clients, including Lancashire County Pension Fund, via a reduction in fees.

Your Pension Service was delighted to be re accredited with the Government's Customer Service Excellence award in June 2011; reflecting that customer service continues to be a priority for the Service. The assessor commented on how the customers were especially appreciative of the responsiveness of YPS staff. Customer feedback was overwhelmingly positive with several favourable comparisons being made with other pension providers. This award confirms that customer focus continues to be a priority for YPS. A summary of customer feedback is shown at Appendix A.

## 2. PERFORMANCE

### a) Membership

Membership of the Scheme increased by 2.5% over the year. This is reflected in the increase in deferred and pensioner members as local authorities and other public sector bodies continue to reduce their workforce and employees leave or retire.



### b) Caseload & Performance

Performance continues to be broadly in line with SLA targets and the Service continues to meet its key performance indicator; 'to calculate and pay all retirement benefits within 10 working days'. However, the service was unable to meet its performance targets in a number of areas the most notable being estimates and transfers. Two events contributed to this negative performance;

- The number of retirements increased by 21% over the year and resource was reallocated to give priority to processing retirements. Performance in this area is now above target.
- The Government Actuary's Department advised Funds to cease processing transfers between November 2011 and February 2012 as new actuarial factors were awaited in respect of the discount rate to be used for cash equivalent transfer values. New factors were finally received on 23 February and performance in this area is now on target.

By far the greatest negative impact on performance was the move to the integrated administration and payroll system. However, although this development caused some disruption to service in the short term, the advantage of a reduction in duplication should result in the ability to improve performance in future years.

Caseload

Comparison of Caseload 2008 to 2011

	2008/09	2009/10	2010/11	2011/12
New Member set ups	8,448	7,186	6,286	3,542
Transfer in Quotes & Payments	2,098	2,338	3,192	1,206
Issue of Leaver Statements	6,745	5,567	5,903	4,369
Transfer out Quotes & Payments	1,455	1,545	1,904	1,088
General Correspondence	1,799	1,870	2,064	2,441
Member Changes	10,161	10,630	10,630	16,621
Estimate of Retirement Benefits	2,341	3,610	4,736	2,853
Pensioner Changes	6,589	5,631	4,695	5,572
Calculation of Retirement Benefits	1,799	2,173	2,652	3,224
Calculation of Death/ dependant Benefits	1,720	1,712	2,268	2,291
<b>TOTALS</b>	<b>43,155</b>	<b>42,262</b>	<b>44,330</b>	<b>43,207</b>

## SLA performance standards

### Performance against SLA Targets 2008 - 2011

	TARGET	ACTUAL 2008/09	ACTUAL 2009/10	ACTUAL 2010/11	ACTUAL 2011/12
Payment of pensions on due date	100%	100%	100%	100%	100%
Production and distribution of annual P60s to pensioners by 31 May	100%	100%	100%	100%	100%
Implementation of annual cost of living pension increases on the due date	100%	100%	100%	100%	100%
Calculate and pay all retirement benefits within 10 working days of receipt of notification, or date of entitlement to benefit, whichever is later	90%	95%	96%	91%	90%
Respond to request for estimates of benefits within 10 working days following receipt of request	90%	96%	94%	84%	78%
Deal with transfers in/out of the Fund within 10 working days of receipt of documentation	90%	94%	93%	91%	76%
Implementation of pensioner and member changes by payment due date	90%	96%	98%	95%	91%
Respond to general correspondence within 10 working days	90%	92%	90%	90%	87%
Set up new starters to the Scheme within 10 days of receipt of notification	90%	98%	99%	99%	100%
Provide annual benefit statements to all active and deferred Scheme	100%	100%	100%	100%	100%

### c) Annual Benefit Statements

Over the year YPS has distributed more than 97,000 benefit statements to scheme members in accordance with a rolling programme. Deferred members received statements during May 2011. Active members received their benefit statements towards the end of 2011

## 3. CUSTOMER SERVICE & EMPLOYER LIAISON

### a) Customer Service Excellence

Customer service is at the heart of YPS and continues to be a priority. YPS was re accredited for the Customer Service Excellence award in June. The assessor commented on how the customers were especially appreciative of the responsiveness of YPS staff and customer feedback was overwhelmingly positive with several favourable comparisons being made with other pension providers. This award confirms that customer focus continues to be a priority for YPS. A summary of customer feedback is shown at Appendix A.

### b) Front Office

The front office provides a helpdesk facility and is the first point of contact for both Scheme members and employers. This service is now part of the One Connect customer service centre.

Over the year 85% of calls were successfully answered. A dip in performance early in the year was addressed by providing additional resource and by bringing some administrative tasks back in house. The percentage of calls successfully answered has since been consistently above the service level target of 90%.

### c) Training Courses for Scheme Members & Employers

During the year the following training courses and presentations were delivered as follows:-

- Scheme information was presented at 18 Pre retirement courses.

- A number of promotional events were attended at the request of the employer. Scheme information was available and the team delivered presentations and responded to general member enquiries relating to the membership of the pension scheme.
- At the request of employers 5 bespoke training events were delivered and a further 13 academy training visits were undertaken.
- Each year, following the issue of Annual benefit statements, a series of 'pension surgeries' are arranged at locations throughout the County. This year 14 events took place with over 650 members attending

### d) Communication with Scheme Members

The regular annual newsletter for pensioners, 'Beacon' was sent in May 2011 along with P60's. 'Scheme Talk', the annual newsletter for active members, was sent with annual benefit statements towards the end of 2011

### e) Annual Practitioner Conference

This year's employer conference was held at Woodlands on 23rd September 2011. The guest speaker on the day was from the Pensions Regulator who covered the topic of auto enrolment. The fund's AVC provider, Prudential, also attended to raise awareness of the changes to pension's tax relief. Over 80 delegates attended the day.

### f) Directors Briefing

A briefing for Chief Finance Officers and Directors was held on 13 December 2011.

The actuary attended to discuss the interim actuarial review and the proposed employer covenant review. Over 50 delegates attended.

### **g) Scheme Promotion**

A campaign to promote the Scheme to non-members is underway. The campaign is a joint initiative between Your Pension Service and

Lancashire County Council's Communications Team. Surveys have been sent out to more than 7,000 non members in order to gain a better understanding of the reasons for non membership and to help assess the potential for non members to join the Scheme. The next stage of this campaign will be to consider promotional messages to coincide with LCC's new auto-enrolment responsibilities.

## **5. LEGISLATIVE CHANGE**

### **Public Sector Pensions Reform**

In December 2011, the Chief Secretary to the Treasury, Danny Alexander MP, made a statement to the House of Commons on progress made in the negotiations with the Trades Unions in respect of the reform of public sector pension schemes.

The statement sets out that heads of agreement had been established with most unions in the local government, health, civil service and teacher's pension schemes. The statement was accompanied by a written ministerial statement from the Secretary of State for Communities and Local Government, Eric Pickles MP, specifically in respect of the Local Government Pension Scheme (LGPS), which stated that a 'heads of agreement' had been agreed between the main local government unions, the Local Government Association (LGA) and the Government regarding a way forward for the Local Government Pension Scheme. This agreement set out the principles which will govern scheme design, ongoing costs management and governance of the new scheme.

The agreed principles included: -

- The introduction of a new Scheme in April 2014 (with regulations in place by April 2013)
- The new scheme will be a Career Average Scheme;
- The ability to have limited or no contribution rate increases for employees in the LGPS provided that the Government's financial constraints are met;
- Some elements of choice to encourage new members to join and existing members to remain in the Scheme; and
- Normal Pension Age will match the rise in State Pension Age.

Representatives from the LGA and the TUC committed to agree and to cost a new scheme by April 2012. However, some questions have been raised by CLG in respect of the expected cost of the new scheme and this has led to a delay in the process and at the time of writing no formal agreement has been reached and the final 2014 Scheme design is yet to be announced. Whatever new Scheme is agreed, there is no doubt that its implementation will dictate the work of the Service over the coming years'.

A full brief of other legislative change affecting the Fund is set out at Appendix B.

## 6. APPEALS

Under the terms of the Local Government Pension Scheme appeals from members are dealt with under the Internal Dispute Resolution Procedure (IDRP) which applies to members of the LGPS whose position may be affected by decisions taken by their employer, former employer or LGPS administering authority.

The IDRP is a formal procedure for individuals to appeal about their treatment under the LGPS regulations. The arrangements in place allow for a 2 stage appeal process. Responsibility for determinations under the first stage of the procedure can rest with the employing authority or administering authority depending on the reason for appeal.

Responsibility for determinations under the second stage of the procedure rests solely with the Administering Authority and for Lancashire the Appeals officer position has been designated to the Deputy County Treasurer

During the year 15 stage 2 appeals were received. Two thirds of these cases related to disputes concerning the award of ill health benefits either because benefits had not been granted or a dispute concerning the level of ill health awarded.

Of the 15 cases received 4 have been dismissed, 5 have been upheld and 6 are currently on-going.

## 7. e-DEVELOPMENT

### a) Altair integrated administration and payroll system

Lancashire County Pension Fund's Pensioner Payroll was transferred to Altair's integrated pension administration and payroll system from July 2011. The implementation of this integrated system will streamline the retirement process by reducing duplication. A further add on to this integrated system is 'immediate payments' which is a facility to make payments at source. This will remove the need to utilise LCC's Accounts Payable facility resulting in further efficiency savings through a reduction in internal charges for items such as lump sum payments.

pension records on-line, including payslips for pensioner members and benefit statements for active and deferred members. This development should result in savings in terms of printing and postage, although telling members about this facility will be key in the short term

### b) Future Developments

The Service has agreed a project plan of future developments with its system provider, Heywood. The plan includes the introduction of Member Self Service. This development allows Scheme members to access their

The Service is also considering a new Heywood development which has been designed to enable the transfer of key information to the Fund from Employers HR/Payroll systems. This development is particularly helpful in terms of collecting new member and opt-out information in line with the new auto-enrolment requirements as well providing a facility to interface pay information to assist with the calculations required for any new career average scheme. This facility could be rolled out to all Fund Employers to provide one solution to replace the numerous interfaces currently used by Employers. This solution could save time and improve data quality.



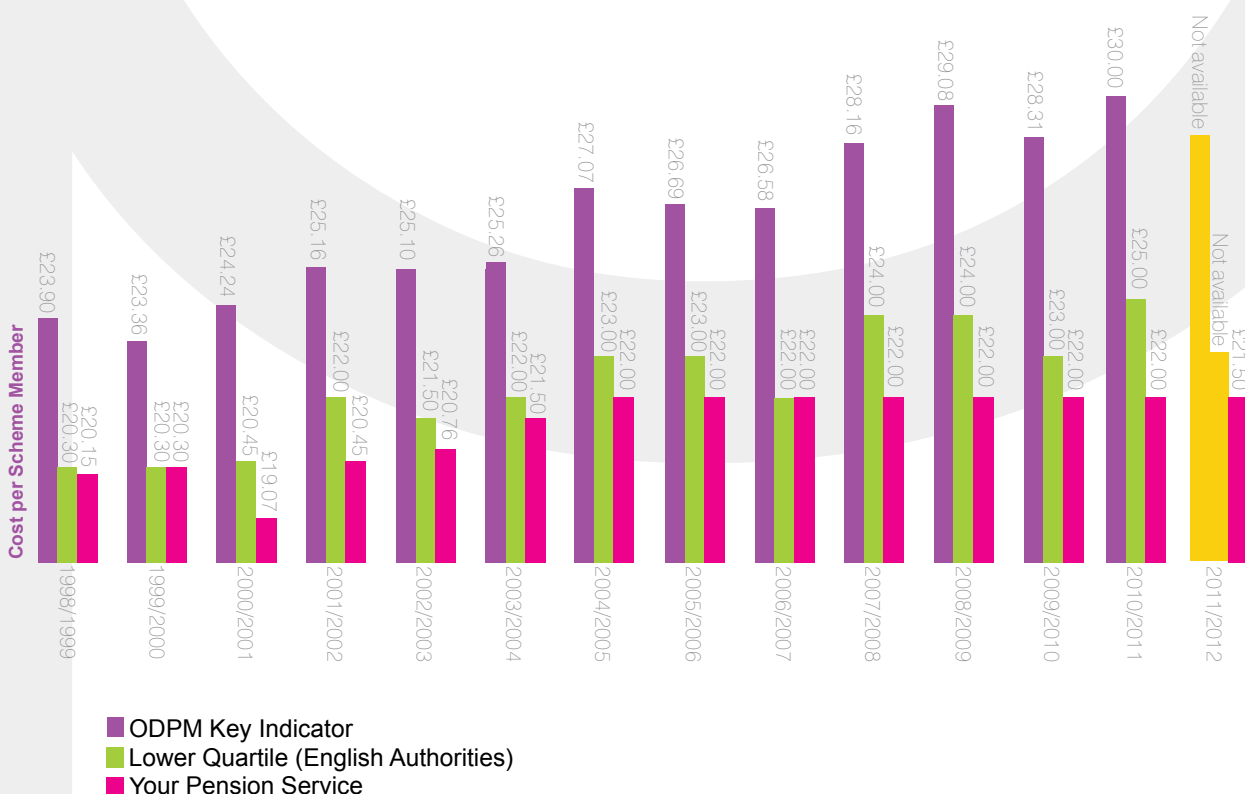
# 8. CHARGES

In line with the current SLA Your Pension Service charges an annual price per member and is committed to charging no more than the lower quartile price per member as produced by the Department of Local Government and Communities from their annual statistical survey of Local Government Pension Funds (SF3). This figure is £25 per member as shown in the latest published statistics for 2010/11.

However, as a consequence of continued efficiencies, particularly the savings realised by the integration of the administration and payroll systems, the charge to the Fund for Your Pension Service has been reduced to £21.50 per member.

The graph below reflects this charging policy and shows that YPS has consistently charged less than the lower quartile cost of Local Government Pension Funds.

However, it should be noted that the Service is about to enter into a period of intense change brought about by the planned LGPS reform and the introduction of auto-enrolment. Both of these seem likely to require additional resource if quality of service, which is central to the Fund's objectives, is to be maintained. Further reports will be made to the Committee as necessary once the actual implications become clearer.



## APPENDIX A

# Customer Feedback 2011

your  
pension  
service

"Prompt and Efficient service on receiving pension"

"Everyone has been very courteous and efficient, no complaints at all. Thank you"

"Forms are clear, Process is clear, Processing dealt with promptly and efficiently."

"I have recently retired and had several queries re my pension - I just wanted to say how helpful and polite every person I spoke to was."

"I would like to take this opportunity of thanking you very much for your processing of my benefit. What I thought would be an arduous process, turned out to be quick and efficient. Also you kept me well informed along the way."

"Phone calls always answered by a real person. Queries were always dealt with after the first call. Documents returned as promised. WELL DONE!"

"Your staff are always pleasant and very helpful - it takes the stress out of sorting problems/queries out. Thank you"

"Excellent service. Thank you"

"You appear to have pulled out all the stops to ensure I got my pension details as fast as possible. Thank you very much"

## APPENDIX B

# OTHER LEGISLATIVE CHANGE

### Pensions Tax

In April 2011, changes to the annual allowance came into effect. The annual allowance is the amount each year that any person's pension benefits may increase without giving rise to a tax charge. The main changes are the following:

- the annual allowance has reduced from £255,000 to £50,000;
- members who exceed the annual allowance in any given year will be allowed to use any unused allowances from the previous 3 years; and
- introducing a facility entitled 'Scheme Pays', where a member may ask the pension scheme to pay any annual allowance tax charge on their behalf if such charge is over £2000, and, if so, will receive a reduction to their pension benefits.

### Change to the discount rate

HM Treasury published revised guidance on the application of the discount rate to be adopted in calculating cash equivalent transfer values (CETVs), effective from 26 October 2011. The discount rate reflects the anticipated investment return over a period of time.

Calculation of CETVs form part of a number of different processes, such as transferring benefits in and out, purchasing additional pension, divorce calculations, to name a few. Consequently, a number of revised sets of guidance from the Government Actuary's Department (GAD) have been received and implemented.

### Local Government (Discretionary Payment) (Injury Allowances) Regulations 2011

These regulations came into force from 16 January 2012. The main features are the following:

- a requirement for local government employers to publish a written policy statement (which must be kept under review) on whether they intend to adopt a discretionary injury benefit scheme;
- admission bodies have been removed from the definition of local government employers so the injury benefit provisions will not directly apply to them;
- the employer's independent registered medical practitioner will need to certify the employee's injury or disease before the employee can receive a permanent or temporary injury allowance;
- death benefit provisions now include payments to 'nominated co-habiting partners';
- appeals will no longer involve the Secretary of State but will be part of the internal dispute resolution procedure (IDRP); and
- The provision to award a gratuity has been revoked.

## Auto-enrolment

Later in 2012, the Government will implement changes to workplace pensions, which will have an impact for all employers, including employers who participate in the LGPS.

The main change will require employers to automatically enrol certain members of their workforce into a pension scheme and make employer contributions.

These changes aim to encourage people to save more for their retirements as current pension savings levels have decreased against a backdrop of increased life expectancy and

an expected major increase in the percentage of the adult population over 65.

These changes will be phased in (largest employers first) over the next few years. Each employer will be given a date from which they must be compliant with the new laws, known as their 'staging date'. For Lancashire County Council the staging date has been confirmed as January 2013.

It is expected that changes will be required to the LGPS regulations in line with these reforms, specifically relating to the scheme's entry requirements.