

Report to the Lancashire Local Pension Board
Meeting to be held on Tuesday, 28 January 2025

Report of the Director of Finance and Commerce

Appeals update

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| Part I | Corporate Priorities: Thinking differently |
| Electoral Division(s): N/A; | |
| Contact: Catherine Hunt, Technical & Administration Pension Lead, (01772) 533757, catherine.hunt2@lancashire.gov.uk | |

Summary

Purpose of the Report

To provide an update and broad analysis of appeals received under the Internal Dispute Resolution Procedure for the period 1st January 2024 to 31st December 2024.

Recommendation

The Lancashire Local Pension Board is asked to:

- i) consider and comment on the contents of this report; and
- ii) agree to monitor the rise in the number of appeals cases and review the situation into 2025 to identify if the rise in appeals is a one-off occurrence or longer-term issue that requires action.

Background

1. The Local Government Pension Scheme regulations set out a formal procedure to resolve disagreements. This is called the Internal Dispute Resolution Procedure and is often referred to as the 'appeals process'. Specifically, the rules are set out in the Local Government Pension Scheme Regulations 2013 within regulations 72 to 79. In addition, information is provided in the General Code of Practice on internal dispute resolution.
2. The procedure has 2 stages. Stage 1 is dealt with by the body who made the initial decision (or omission of a decision) that is in dispute. This will normally be the scheme employer if an employer decision or omission has led to the dispute,



or Local Pensions Partnership Administration Limited (LPPA) if a calculation or omission has led to the dispute. The right to make a stage 1 appeal is time limited. Generally, the applicant has 6 months from the date of notification of the decision under dispute. The employer (or LPPA acting on behalf of the administering authority) will nominate a person to determine stage 1 appeals known as the adjudicator. The adjudicator should provide their written decision within 2 months (although if there are specific reasons to do so they could send a letter extending and revising the deadline). If the disagreement is not resolved at stage 1, the individual can refer it to the Appeals Officer for a decision at stage 2. The nominated Appeals Officer for reviewing stage 2 appeals for Lancashire County Pension Fund is Catherine Hunt, Technical & Administration Pensions Lead.

3. Cases referred to the Appeals Officer for a stage 2 review should be responded to within 2 months (although again if there are specific reasons to do so a letter can be sent extending and revising this deadline). If the applicant is still unhappy following the stage 2 decision, they can take their case to the Pensions Ombudsman for a formal determination provided they do so within 3 years of the event that gave rise to the complaint. The Ombudsman has recently tightened up their processes and will not consider a case if a stage 1 and stage 2 review has not been completed.

Stage 1 cases

4. Over the last 3 years the number of stage 1 appeals have been 23 cases in 2022, 18 cases in 2023 and 49 cases in 2024. As with prior years, a large proportion of cases between 1st January 2024 to 31st December 2024 relate to ill health, where there is a dispute with the level awarded to the scheme member or where ill health retirement has been determined by the employer as not appropriate for the scheme member. Ill health pensions within the Local Government Pension Scheme are tiered and the amount payable to a member varies according to certain qualifying conditions.
5. However, in contrast to prior years, retirement appeals were also high. These vary in their nature but mostly relate to delays and lack of communication resulting from historical backlogs.
6. Appeals in 2024 may also be higher than previous years as since October-2024 the Pensions Ombudsman has insisted on the appeal process being completed before they will consider a case. Previously some cases may have gone directly to the Ombudsman and therefore not been reflected in stage 1 figures. In 2023, the number of stage 1 appeals received averaged 1 or 2 cases but in 2024 the average number received has been 3.45 cases (Jan-Nov) with an average of 5 cases received in October/November. As stage 1 appeals follow a complaint it is possible that the resolution of backlog complaint cases earlier this year is contributing to the recent increase in appeals received. Members have 6 months following the original complaint to lodge an appeal. A full breakdown of the stage 1 case types and outcomes is set out below:



| Status / outcome | Total | Type of case / Breakdown |
|-------------------------|--------------|---|
| Received | 49 | 1- Aggregation 1- AVCs 2- Bereavement 18- Ill-health 1- Member data 1- Payroll/payment 16- Retirement 2- Scheme membership. 6- Transfer in/out late request 1- Trivial commutation |
| Not upheld (dismissed) | 14 | 1- Aggregation 1- AVCs 1- Bereavement 2- Ill-health 1- Member data 1- Payroll/payment 3- Retirement 1- Scheme membership. 3- Transfer in/out/late request |
| Partially upheld | 1 | 1- Retirement |
| Upheld | 8 | 4- Ill-health 1- Retirement 3- Transfer in/out/late request |
| Ongoing | 26 | 1- Bereavement 12- Ill-health 11- Retirements (4 directly to the Ombudsman) 1- Scheme membership. 1- Trivial commutation |

7. A larger proportion of appeals are outstanding at this point as compared with previous years and Fund officers are investigating. Initial indications are that employers may not be responding to appeals within 2 months. Fund officers will be requesting a reminder is provided to employers regarding the appeals process including their obligations for responding to appeals. Also following the transition of appeal cases to the operation teams within LPPA in June 2024 it appears that chasing by LPPA has been less frequent.

Stage 2 cases

8. Over the last 3 years the number of stage 2 appeals have been 9 in 2024, 7 in 2023 and 9 in 2022. Where cases have been upheld, the Fund has notified the relevant employers of what would have been expected of them and the reasons behind that.



9. A full breakdown of the stage 2 case types and outcomes is set out below:

| Status / outcome | Total | Type of case / Breakdown |
|-------------------------|--------------|--|
| Received | 9 | 2- Early release of deferred benefits on ill-health grounds 2- Ill-health 1- Ill-health/commutation 1- Scheme pays 1- Scheme admission. 1- Transfer in 1- Transfer out payment |
| Upheld | 5 | 2- Early release of deferred benefits on ill-health grounds 1- Ill-health tier 1- Ill-health/commutation 1- Transfer out payment |
| Not upheld (dismissed) | 3 | 1- Ill-health tier 1- Transfer in 1- Scheme pays |
| Ongoing | 1 | 1- Scheme admission |

Ombudsman cases

10. There have been 4 cases referred to the Pensions Ombudsman in 2024 compared with 6 cases in 2023. Cases referred to the Ombudsman relate to transfers (2), AVCs (1) and Retirement (1).

Options and Proposals

11. Options below have been considered by the Fund Officers in respect of the higher than usual appeal cases during 2024:

- 1) No further action - Accept the data provided which indicated higher than usual appeals and take no further action.
- 2) Monitoring - review the situation into 2025 to identify if the rise in appeals is a 'blip' or longer-term issue that requires action.
- 3) Escalation – to the Pension Fund Committee and further investigation with Fund Officers and LPPA.

12. It is recommended that option 2 is progressed.

13. The Board is asked to consider and comment on the report to assist the County Council as Administering Authority in its role as Pension Fund Scheme Manager to ensure the effective and efficient administration of the LGPS for the Lancashire County Pension Fund.



Consultations

14. Local Pensions Partnership Administration Limited

Context and Implications

Legal (including Human Rights)

15. The Internal Dispute Resolution Procedure (also referred to as 'appeals process') is defined in the Local Government Pension Scheme Regulations.

Financial

16. Depending on the circumstances of individual appeals and outcome of the process, compensation payments may need to be paid by the Pension Fund to affected members. In total, costs for 2024 are £1,250.

Equality and Diversity

17. There are no equality and diversity issues to consider.

Risk Management

18. No significant risks have been identified.

List of Background Papers

None

Part II Reason

N/A

