

# Local Government Pension Scheme

# Administration Report 2008/09



**Lancashire Pensions Services**

THE BEST FOR LANCASHIRE AND BEYOND

## **1. INTRODUCTION**

### **a) Purpose**

The Service Level Agreement (SLA) is between Lancashire Pensions Services and the Pension Fund Committee for the provision of a range of pension administration services and support. An agreement has been in place since 31 October 1997.

This annual Administration Report is produced in accordance with the SLA and in line with the Pension Fund Administration Sub-Committee Terms of Reference. The report describes the performance of Lancashire Pensions Services against the standards set out in the Service Level Agreement during the year.

The Administration Report also explains the activities and events undertaken by Lancashire Pensions Services (LPS) over the reporting year.

### **b) Review of the Year**

The main focus over the year has been the implementation of the 'New Look' Local Government Pension Scheme which became effective on 1 April 2008. It has proved a challenging time ensuring that a new benefit structure is in place and operational. Late guidance and clarification in respect of new ill health provisions, in particular reviewable third tier benefits, has made the transition to the new scheme somewhat protracted.

However, extensive promotion of the New Scheme has continued throughout the year with Pensions Road Shows, Newsletters, dedicated Scheme Employer visits as well as Benefits Surgeries. This has ensured that, as far as possible, all stakeholders are aware of the New Scheme.

In recognition of the above, Lancashire Pensions Services were runners up and highly commended in the Pensions Management 'Best New Scheme Implementation' award 2008.

## **2. FIGURES**

### **a) Membership**

The Total membership of the Pension Scheme increased from a total of 120,896 at the beginning of the year to 126,402 as at March 2009. The membership figures are broken down as follows:

	<b>31 March 2008</b>	<b>31 March 2009</b>
Active Contributors	53,624	53,663
Deferred Pensioners	33,905	38,199
Pensioners	33,367	34,540
<b>TOTAL MEMBERSHIP</b>	<b>120,896</b>	<b>126,402</b>

Deferred membership continues to increase at a higher rate than other categories as more and more Scheme leavers are captured by the 3 month vesting period. The Local Government Pension Scheme was amended in 2004 to allow all Scheme Members vested rights to Scheme benefits after 3 months membership. The vesting period was previously 2 years. In practice this means that significantly more Scheme Members have retained benefits in the Scheme on leaving.

### **b) Caseload & Performance**

Caseload statistics and performance against targets are shown at Annex A. Lancashire Pensions Services has a robust project management structure in place and as a result performance continues to be strong despite the implementation of the New Scheme. In particular LPS continues to meet and exceed its key performance indicator i.e. 'to calculate and pay all retirement benefits within 10 working days'.

### **c) Annual Benefit Statements**

Over the year Lancashire Pensions Services has distributed more than 90,000 benefit statements to scheme members in accordance with a rolling programme. Deferred members received their benefit statements in May 2008. Active members received their benefit statements in October and November 2008.

Extensive changes to the 2008 statements have been necessary in order to incorporate the new benefit structure. The statements have been amended to show the split of pension benefits calculated in the old scheme (1/80ths pension and 3/80ths lump sum), and the new scheme (1/60ths pension and no automatic lump sum).

Included with the statements was this year's active member newsletter, 'Scheme Talk'. This included information about pension surgeries to ensure Scheme Member awareness that LPS would be holding one-to-one sessions across the County to enable them to discuss their statements.

## **3. CUSTOMER SERVICE**

### **a) Feedback**

Customer focus continues to be a priority for LPS. At the beginning of the year LPS was extremely pleased to achieve the new 'Customer Service Excellence' award. The new award replaces Charter Mark as part of the Government's Transformational Change agenda and focuses on delivery, timeliness, information, professionalism and staff attitude.

A rolling programme of surveys is in place and this provides useful feedback on services provided by LPS. Survey results are compared with previous years to ensure that customer service levels are consistent. A recent retirement survey indicated that 91% of those retiring understood their pension statement. The results of this survey are shown at Annex B.

## **b) Front Office**

The Front Office provides a helpdesk facility and this is the first point of contact for members, Scheme Employers and other visitors to Lancashire Pensions Services. Due to the introduction of the New Local Government Pension Scheme calls made to the Pensions Helpdesk increased by 4.5% to 38,159 during 2008/09, 94% of which were successfully answered, exceeding the target of 90% of calls answered.

The Front Office also responded to 7,702 email enquiries and dealt with over 121,000 pieces of incoming mail.

## **c) Training Courses for Scheme Members**

During 2008/09, the following training courses and presentations were delivered as follows:-

Presentations to communicate the New Look LGPS to scheme members continued at the beginning of the year with a further 7 presentations being undertaken.

LPS presented information relating to how benefits are calculated and timescales for payment of benefits at 16 pre-retirement courses.

Attendance at 2 new employee induction events took place which included a short presentation on the basics of the LGPS and benefit structure.

Following the issue of Annual Benefit Statements LPS arrange a series of 'Pension Surgeries' at various locations within the county. This provides members with an opportunity to discuss their statement. 14 events took place with over 700 members attending.

#### **d) Communication with Scheme Members**

The regular annual newsletter for pensioners, 'Beacon', was sent in April 2008 along with year end P60 and pensions increase information. This was followed by the annual newsletter for deferred members, 'Frozen Assets', accompanying annual benefit statements in May 2008. For the first time the 'Scheme Talk', the annual newsletter for active members, was sent with annual benefit statements towards the end of 2008. Savings have been realised by combining communications in this way.

### **4. EMPLOYER LIASION**

#### **a) Annual Practitioner Conference**

This year's event concentrated on the New Local Government Pension Scheme. Guest speakers gave presentations on the new tiered ill health provisions and the benefits of paying AVCs. In addition, a representative from DCLG presented an introduction to the Scheme's new 'Cost Sharing Mechanism' which is due to come into effect in 2010.

#### **b) Pensions Administration Strategy Statement**

Following the introduction of this new provision, the Pensions Administration Strategy Statement (PASS) was approved by the Pension Fund Administration Sub-Committee at its meeting in June 2008. The PASS sets out administering authority responsibilities as well as the responsibilities of Employers that participate in the Scheme. This document provides the main focus for annual employer visits. Over the year 51 Scheme Employers were visited. This service allows Employers to discuss any issues and, in particular, to clarify new procedures and new regulatory provisions. Specific Employer training is also provided on request.

#### **c) Employer communications**

Employer Bulletins are produced as required to give Employers a full briefing on specific regulatory changes. An 'employer actions checklist' and summary sheet have recently been incorporated to assist Employers in understanding the actions they need to take due to the changes specified. Employer e-newsletters are issued quarterly to inform Employers of developments within LPS and to ensure that regular contact is maintained.

#### **d) Directors Briefing**

A Directors Briefing for Chief Finance Officers and Directors was held in January 2009. The briefing was held in order to update Employers on the position of the Fund following the recent turmoil in financial markets. An update on Fund

investments was presented by the Treasurer to the Pension Fund followed by the update on the funding position by the Pension Fund's Actuary. This briefing closely followed a meeting of the Pension Fund Committee on 23 January 2009 when the Committee also received an update on the current funding position by the Fund Actuary.

## **5. LEGISLATIVE CHANGE**

The New Look Local Government Pension Scheme came into effect from 1 April 2008.

Miscellaneous amendments to the regulations were made during 2008/09. In the main this was a tidying up exercise and the amendments addressed omissions and cross referencing in respect of the New Scheme regulations.

In addition, clarification and guidance has been provided on the new three tier ill health provisions.

The regulations require that guidance provided by the Government Actuary's Department (GAD) be followed in respect a number of provisions such as the calculation of transfer values and the cost of purchasing additional pension. New Guidance has been issued by GAD over the year for a number of Administration processes.

A full commentary on legislative amendments over the year can be accessed via the LPS website at:

[http://www.lancs-pensions.org.uk/LGPS\\_legislation\\_changes\\_08\\_09.pdf](http://www.lancs-pensions.org.uk/LGPS_legislation_changes_08_09.pdf)

Draft amendments are currently under consultation with responses due by 30 September 2009. The amendments relate to the introduction of a new 'Cost Sharing Mechanism' which is expected to be in place by 2010. The draft amendments introduce a new regulation that requires administering authorities to have regard to guidance about how the costs of the Local Government Pension Scheme will be met in future years with the possibility of costs being shared between Employers and Scheme members.

## **6. e-DEVELOPMENT**

### **a) System upgrades**

As a result of the New Look Pension Scheme, software upgrades were implemented during the year to take account of the new 60<sup>th</sup> benefit structure and other provisions.

### **b) Tiered Contributions**

The New Scheme introduced tiered contributions for employees based on their level of pay. LPS has worked closely with Scheme Employers to ensure that tiered contribution rates are processed correctly and on time via payroll facilities. LPS has also liaised with colleagues in the Treasury Management and Pensions Fund Team so that financial data can be reconciled and made ready for the 2010 Actuarial Valuation of the Fund.

### **c) Altair**

Preparations for Altair (the replacement for the current pension administration system) have been undertaken, with a view to implementing the system by March 2010. The new system will allow Scheme Employers to securely access their employees' service records. This will be a major change for Scheme Employers and should assist in ensuring that data is accurate and up to date.

### **d) E-forms**

Employers are encouraged to submit information electronically, either by e-form or by spreadsheet, as appropriate. There are now 48 Employers using e-forms, with 119 individual administrators registered to use the facility. Larger employers continue to send bulk data to us via spreadsheet.

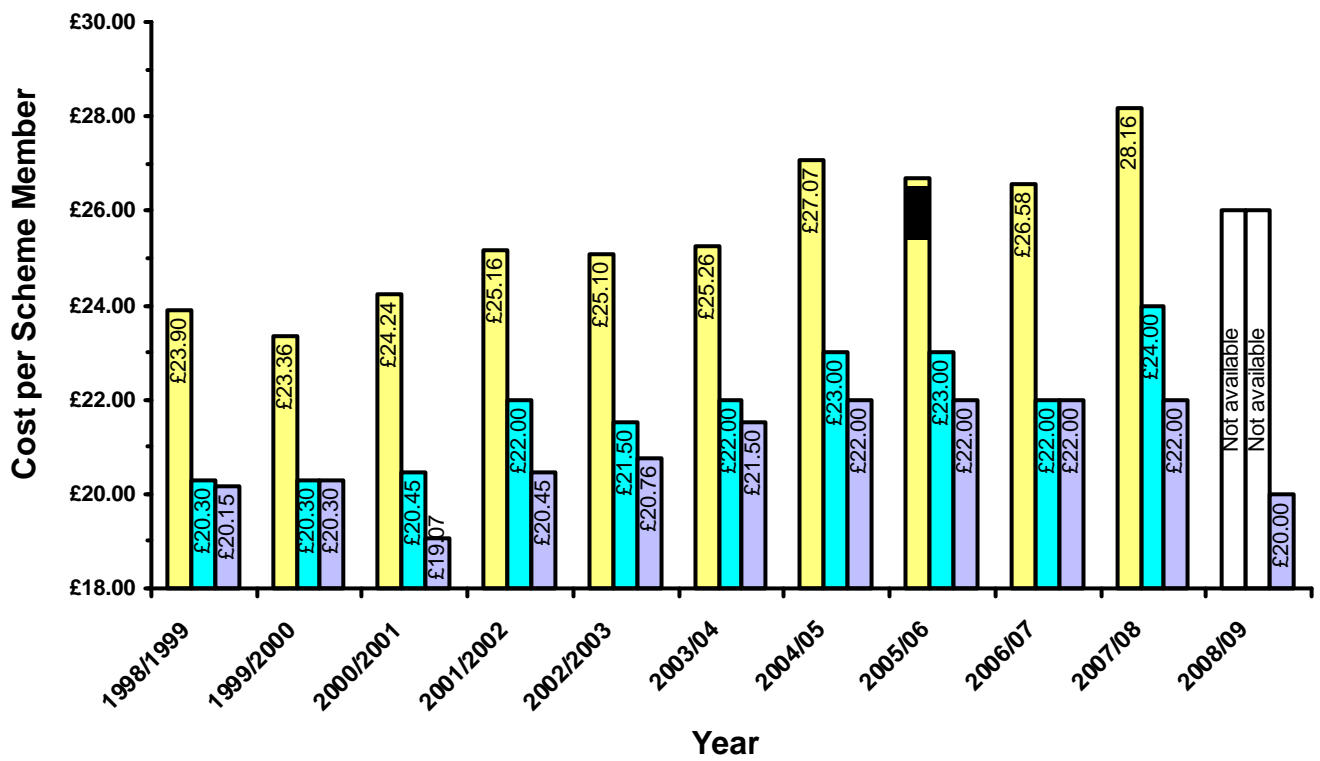
### **e) Online submission to HMRC**

From 1 April 2009 LPS was required to submit P45 and P46 information electronically, and this was achieved successfully.

## **7. CHARGES**

In line with the current SLA Lancashire Pensions Services 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). The graph below reflects this charging policy and shows that LPS has consistently charged less than the lower quartile of all LG Pension Funds in England and Wales.

As a consequence of increased membership and efficiencies within the service, over the last four years the charge to the Fund for Lancashire Pensions Services has been successfully held at £22 per member. In the light of the current economic situation and for the benefit of both the Fund and Scheme Employers the charge for 2008/09 has been reduced on a 'one-year-only' basis to £20 per member.



■ ODPM Key Indicator

■ Lower Quartile (English Authorities)

■ Lancashire Pensions Services

## Annex A

### Comparison of Caseload 2004 to 2009

Caseload	2004/05	2005/06	2006/07	2007/08	2008/09
New Member set ups	9,988	9,814	9,953	8,698	8,448
Transfer In Quotations	2,806	2,427	1,886	2,571	1,262
Transfer In Payments	1,789	1,769	1,496	1,086	836
Issue of Leaver Statements	6,044	7,434	7,145	7,072	6,745
Transfer Out Quotations (including divorce)	1,302	875	2,201	955	1,046
Transfer Out Payments	602	568	478	648	409
General Correspondence	1,650	2,465	2,242	2,004	1,799
Member Changes	11,347	10,442	10,501	10,157	10,161
Estimate of Retirement Benefits	2,309	2,353	3,164	2,888	2,341
Pensioner Changes	4,505	5,186	4,781	5,560	6,589
Calculation of Retirement Benefits	1,391	1,747	1,602	2,063	1,799
Calculation of Death Benefits	1,126	1,176	1,163	1,241	1,257
New spouse/dependant pensions	377	400	361	393	463
<b>TOTALS</b>	<b>45,236</b>	<b>46,656</b>	<b>46,973</b>	<b>45,336</b>	<b>43,155</b>

## ANNEX A

## Performance against SLA Targets 2004 - 2009

Pensions Services SLA performance standards	Target	Actual 2004/05	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09
Arrange payment of pensions on due date	100%	100%	100%	100%	100%	100%
Production and distribution of annual P60s to pensioners by 31 May	100%	100%	100%	100%	100%	100%
Implementation of annual cost of living pension increases on the due date	100%	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 ( <i>*15 days prior to 2007/08</i> )	90%	86%	97%	91%	92%	95%
Respond to request for estimates of benefits within 10* working days following receipt of request ( <i>*15 days prior to 2007/08</i> )	90%	95%	94%	94%	93%	96%
Deal with transfers in*/out of the Fund within 10 working days of receipt of documentation ( <i>*15 days prior to 2007/08</i> )	90%	88%	94%	95%	93%	94%
Implementation of change in pensioner circumstance by paybill due date	95%	97%	96%	95%	97%	96%
Respond to written correspondence within 10* working days ( <i>*15 days prior to 2007/08</i> )	95%	89%	95%	94%	93%	92%
Set up new starters to the Scheme within 10* days of receipt of notification ( <i>*15 days prior to 2007/08</i> )	90%	98%	98%	99%	98%	98%
Provide annual benefit statements to all active and deferred Scheme members	100%	100%	100%	100%	100%	100%

# Just a minute ...

## ... to read the results from LPS Retirement Survey 2008



**AIM of Survey:** a) to obtain customers views of LPS performance during the retirement process  
b) identify areas for improvement

Based on 42% responses of all retirees (371) 1/6/08 - 31/8/08

"I feel that my pension matters were answered very professionally and expertly"

"I found the transition smooth and efficient."

"I am grateful to LPS for providing a good service"

"At all times staff were helpful and courteous."

"very efficient and helpful."

"It was explained to me very well and clearly."

"Helpful informed staff have been pleasant, prompt and reliable."

"I got an appointment immediately and things were sorted very promptly, I was most impressed."

"Excellent service, thank you for all your help and expertise"

"Efficient, effective service. All enquires dealt with in a professional manner."

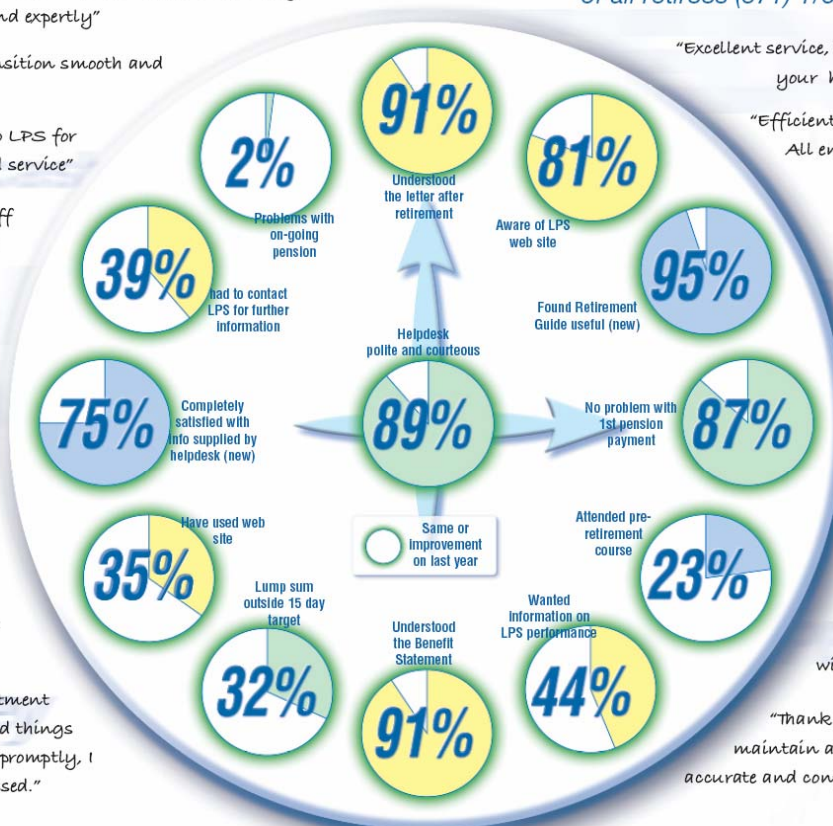
"Staff very friendly and helpful."

"The service was excellent."

"very pleased with the service."

"All queries dealt with quickly, efficiently and with good humour"

"Thank you for trying to maintain a pleasant, speedy, accurate and confidential service."



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[www.lancs-pensions.org.uk](http://www.lancs-pensions.org.uk)



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