

# Pensions Committee

9 December 2015

<b>Report title</b>	Internal Dispute Resolution Process	
<b>Originating service</b>	Pension Administration	
<b>Accountable employee(s)</b>	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	<a href="mailto:Rachel.howe@wolverhampton.gov.uk">Rachel.howe@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	<a href="mailto:Geik.drever@wolverhampton.gov.uk">Geik.drever@wolverhampton.gov.uk</a>

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## Recommendations for action or decision:

The Committee is asked to approve:

1. The review and proposed changes to the Fund's Internal Dispute Resolution Process as required by the Pensions Act 1995 and operated in line with the Pensions Regulator's Code of Practice.

## **1.0 Purpose**

- 1.1 To provide Committee with an overview of the work the Fund is undertaking to ensure, in line with the requirements of the Pension Regulator's Code of Practice, that the Fund has a robust and transparent Internal Dispute Resolution Procedure (IDRP).

## **2.0 Background**

- 2.1 The Pensions Act 1995 introduced the requirement for schemes to have an Internal Dispute Resolution Procedure where members of the scheme may challenge any decision taken that may affect their benefit. This formal procedure and process plays a key role in enabling the Fund to provide effective scheme governance and administration.
- 2.2 Since the legal requirement was introduced, the Fund has operated an IDRP working with employers to ensure a fair delivery of service to members. The Fund operates a two-stage process under which Stage one is investigated by a "adjudicator" nominated by the decision maker (typically the employer) and Stage two is investigated by the Administrating Authority. Following the introduction of new guidance for Public Sector Pension Schemes from the Pension Regulator earlier this year, it was appropriate to review the process and ensure existing arrangements were still fit for purpose and operating effectively in practice.
- 2.3 The review has also taken into account observations and feedback from recent appeals. This has helped the Fund to develop the existing procedures and processes to ensure disputes can be investigated and decided upon quickly and efficiently. For example, the Fund's ability to understand First Decisions by employers was one area we felt could be improved to ensure we were being kept informed of decisions which would help us should a Second Stage appeal be presented to the Administrating Authority.

## **3.0 Findings and key changes**

- 3.1 A review of recent cases highlighted that there was scope to develop existing procedures and processes to enhance member experience and improve audit trail. It was identified that additional support materials for employers and further monitoring by the Fund is likely to avoid prolonged disputes and reduce the potential for decisions to be challenged.
- 3.2 Proposed changes include:
- A requirement for the Fund's compliance team to be notified as soon as a request under IDRP was received by the employer under Stage one and for every step thereafter up to issuing a decision. This will enable the Fund to keep track of appeals and trigger a review under Stage two, if the employer does not decide and confirm the Stage one outcome to the member within a specified period.
  - Template documents, letters and decision notices for use by all of our employers which will present a consistent and documented approach to decision making across the scheme.

- Guidance on the appointment (and review of) the “adjudicator” nominated to review decisions under Stage one.
- 3.3 The proposed new process and supporting materials have been summarised in an employer guide (which will be posted on the Fund’s website in due course, once piloted with selected employers).
- 3.4 All Stage two appeals presented to the Administrating Authority will be reviewed by Mark Taylor (as Section 151 officer) before issue of responses from Keith Ireland, Managing Director, City of Wolverhampton Council as the specified person to investigate respond to Stage two appeals. The Fund will continue to support the Administrating Authority in the investigation of Stage two appeals but will also use other Local Government pension Scheme (LGPS) schemes (by agreement) and professional advisers (as required) to obtain guidance and opinion in certain cases.
- 3.5 The Fund has reviewed its own internal process for managing IDRPs to ensure decisions are clearly supported by independent review and advice, as required. (Note that a reviewer acts in an advisory capacity only and is not a decision maker on the matter.) For example, external investigation and comment will always be sought in the event of an appeal against a decision made by the Fund.
- 3.6 The revised process requires any external reviewer to show competency when dealing with pension matters as well as a requirement to sign a data sharing agreement protecting our members’ personal data.

#### **4.0 Next Steps**

- 4.1 The updated procedures and new supporting documentation will be piloted with employers over the next few months and further developed to reflect any feedback.
- 4.2 The Fund is currently looking to establish an agreement with at least one other LGPS Fund to act as external reviewer. The intention is for the agreement to be reciprocal and this could therefore lead to an increase in workload for the Fund.
- 4.3 Due to the new process requiring notification to the Fund of each IDRPs appeal to an employer and monitoring of these decisions and responses by the Fund, there is also potential for an increase in workload in “policing” compliance with the IDRPs process. However, this is expected to be offset by the time-saved in following-up cases where responses to members have been delayed or decision making unclear.
- 4.4 We will work with employers to ensure that the process works for them as well as us and this will be monitored through the employer peer group. A full report will be presented to June Annual Committee seeking approval for the new process.
- 4.5 Separate to the Fund’s review, the Scheme Advisory Board issued a survey to schemes and their employers in September 2015. This was to inform its own review of ill health retirement procedures and IDRPs for the LGPS as a whole. The Fund process may develop in the future to reflect the outcome of work carried out and guidance issued by the Scheme Advisory Board.

## **5.0 Financial implications**

- 5.1 There are no financial implications; the work undertaken has been incorporated into normal workloads. There may be a potential for work in this area to increase and this will be monitored.

## **6.0 Legal implications**

- 6.1 The Administering Authority of a pension scheme must ensure they have a procedure in place to enable any person with an interest in the scheme to make an application to them for a decision on a matter in dispute. Failure to meet this requirement would subject the Fund to scrutiny and potential Judicial Review.
- 6.2 Measures have been put in place to protect member data in the event that this needs to be transferred outside of the Fund to enable an appeal to be investigated.

## **7.0 Equalities implications**

- 7.1 The process has been drafted in accordance with the Equalities Act principles.

## **8.0 Environmental implications**

- 8.1 There are no implications

## **9.0 Human resources implications**

- 9.1 There are no implications

## **10.0 Corporate landlord implications**

- 10.1 There are no implications

## **11.0 Schedule of background papers**

- 11.1 Pensions Act 1995  
<http://www.legislation.gov.uk/ukpga/1995/26>
- 11.2 Pension Regulator's Code of Practice  
<http://www.thepensionsregulator.gov.uk/codes/code-dispute-resolution.aspx#s1072>
- 11.3 Current IDRP process (guide for members)  
<http://www.wmpfonline.com/CHttpHandler.ashx?id=4593&p=0>