



Committee and date  
Pensions Committee

18 June 2013

10.00am

Item

**14**

Public

## PENSIONS ADMINISTRATION MONITORING REPORT

**Responsible Officer** Debbie Sharp

Email: [Debbie.sharp@shropshire.gov.uk](mailto:Debbie.sharp@shropshire.gov.uk)

Tel: 01743 252192

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### 1. Summary

The report provides Members with monitoring information on the performance of and issues affecting the Pensions Administration Team.

### 2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report.
- 2.2 Members are asked to agree with or without comment the response to the Councillors Consultation at Appendix B and;
- 2.3 The Committee is asked to approve, with or without comment, the revised Administration Strategy Statement at Appendix D.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 **Risk Management**  
Performance is considered and monitored to ensure regulatory timescales and key performance indicators are adhered to.
- 3.2 **Human Rights Act Appraisal**  
The recommendations contained in this report are compatible with the Human Rights Act 1998.
- 3.3 **Environmental Appraisal**  
There is no direct environmental, equalities or climate change consequence of this report.
- 3.4 **Financial Implications**  
There are no direct financial implications arising from this report. Managing team performance and working with other Administering Authorities ensures costs to scheme employers for Scheme Administration are reduced.

#### 4. Performance and Team Update

- 4.1 The team’s output and performance levels to the end of May 2013 are attached at **Appendix A**.
- 4.2 Procedures outstanding at the end of the month slightly increased over the last quarter but then levelled off. The amount of tasks (steps within a procedure) which became due each month fell over the quarter to a more manageable level of around 1,200 compared to 2,000. The number of procedures completed in May increased to 1,500.

The following chart shows the % of measurable benefit quotes, over the last 3 months, that were completed to target:

Month ending	% Retirement Quotes Processed within 7 days (Target 85%)	% Procedures Completed to agreed timescale (Target 75%)
March 2013	86.41%	72.90%
April 2013	72.22%	74.71%
May 2013	75.26%	68.38%

During April and May 2013 the targets were not met. However, most fell within the tolerance levels set. This chart together with the graph is reflective of the additional workload the team is undertaking due primarily to the Valuation of the Pension Fund. Workloads have increased for all team members and specific individuals have been taken off “day to day” duties to work on year end processes for the Valuation.

- 4.3 The team continue to work additional hours/overtime where necessary to ensure the valuation timetable is kept to without impacting too much on the day to day work and annual leave has had to be kept to a minimum until all valuation data is processed.
- 4.4 As part of the finance restructure, the Pensions Administration Team has been transferred into Resources & Support and is the responsibility of the Head of Treasury and Pensions.
- 4.5 Karl White who has been a team leader for 9 years will be leaving in August as he has successfully secured a post with Cheshire Pension Fund. Thanks are expressed for his work and commitment during his time with Shropshire. The opportunity is being taken to assess the team management structure whilst being mindful that extra resources will be needed due to increased workloads resulting from the Public Sector Pensions Act, the 2014 Scheme and Auto-Enrolment.

## **5. Annual Meeting 2013**

- 5.1 The Annual Meeting has been booked for Tuesday 5 November 2013. After the 2012 meeting a survey was emailed to all attendees for feedback on the time, venue and speakers for future meetings. As a result it has been decided to hold only 2 meetings this year instead of the usual 3.
- 5.2 The Telford meeting has had to be moved and will be held at The Place, Oakengates, as the Civic Offices have now closed. The meeting will start at 10.30am. The afternoon meeting will start at 2pm and is again at the Theatre Severn, Shrewsbury.
- 5.3 The meeting will be filmed, as last year, and made available on the website, for scheme members who cannot attend in person, to view.

## **6. Communications**

- 6.1 In February it was reported that work was being undertaken on a P60/payslip redesign for April mailings. This was unable to be done in time for 2013 P60 due to time restraints for testing. A working party is established to take this work forward for 2014.
- 6.2 From 1 June 2013 the fund will only send scheme pensioners a payslip when the net pay either increases or decreases by £5 or more from the previous month. This will make a substantial saving in printing, postage and paper costs. Retired members have been consulted, several times over the last two years, on this proposal and there has been little resistance.
- 6.3 A paper P60 will, in the short term, continue to be issued once a year. The INTouch Magazine will also continue to be published in the Spring and Autumn as this is an important method of communication.
- 6.4 From 1 June 2013 members will be able to view P60's and payslips online by logging on to a secure area, on the website, called MyView. This is currently the same service used for the majority of Shropshire Council employees.
- 6.5 In the coming months email alerts will be used more frequently to update members on scheme news. Email addresses held on Shropshire Council and Telford and Wrekin Council's payroll records have been uploaded onto the pensions' administration system. Member email addresses have also been requested from other scheme employers. Email addresses are now requested each time a member joins and leaves the scheme.
- 6.6 Presentations on the new 2014 scheme have been delivered by the pensions' team at 4 venues around the County across April and May. The sessions were organised together with the fund's AVC provider, Prudential, and over 200 members attended.

- 6.7 Work is underway for a Joint Deferred Benefit Statement. The team has been working with Cheshire, Staffordshire and Warwickshire Funds. The statement design has been updated to reduce the number of statements produced by providing multiple pension record information on one statement. Many Employees have more than one job with their employers. The estimated mailing date for the statement is the end of June 2013. It was decided that Funds would not be able to work collaboratively on active benefit statements this year. Active statements are scheduled to be issued at the end of August 2013.
- 6.8 Work has been taking place on a new fund website. Shropshire Council’s web team have been working with the Communications Officer to build the new site and work is taking place to move the content from the current site to the new platform.

**7. Contact Team Statistics**

- 7.1 The following chart shows the number of queries received through the helpline number and the number of emails received by the Pensions generic email inbox.

	<b>March 2013</b>	<b>April 2013</b>	<b>May 2013</b>
<b>Telephone calls answered</b>	694	982	641
<b>Queries dealt with by helpdesk at first point of contact %</b>	92.2%	87.47%	100%
<b>Emails received and responded by the helpdesk</b>	310	310	286
<b>Hits to the Pension Fund website</b>	5,263	9,980	4,386

- 7.2 During the two week period from 29<sup>th</sup> April, a “breakthrough” of the helpline was arranged to allow the number to ring to other phones on the Admin team when all staff on the helpdesk were occupied.
- 7.3 During this period 583 calls were taken, 519 by the Helpdesk and 61 were answered by the Pensions Team. Only 3 Calls were “abandoned”, this might have been where the caller hung up, was outside of office hours, or where a call was “picked up” by another phone.
- 7.5 The increase of phone calls in April was due to queries from the payslip, pension increase letter and newsletter being sent to all Pensioners without the usual P60. The Council’s payroll system failed to print the P60’s in time to send with the April mailing. This created a

huge increase in calls to the team. The additional cost of sending the P60's separately is not being charged to the Pension Fund. They were issued by the statutory deadline of 31<sup>st</sup> May.

## 8. Councillors Pension Scheme

8.1 There is to be a new Local Government Pension Scheme from April 2014 and as part of the overall public sector reforms the Government is undertaking a consultation on whether Councillors should be allowed to remain in the scheme when the new scheme is introduced. The consultation closes on the 7th July. Details of the consultation and how to engage can be found at:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/184780/Councillor\\_Pensions\\_Consultation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/184780/Councillor_Pensions_Consultation.pdf)

8.2 Administering the Councillor Pension Scheme does not impact greatly on the team. The suggested response to the three questions asked, from Shropshire Council as Administering Authority at **Appendix B** is:

**Question 1:** Taking account of the issues raised in this consultation document and any other considerations, what option do you prefer and why?

Option 1: No access to the new Local Government Pension Scheme from April 2014 through being directly elected to local office. Thus, councillors; elected mayors; the Mayor of London and members of the London Assembly would be excluded from active Scheme membership – this is the government's preferred position;

Option 2: Two-tier membership - continued access for 'front bench' councillors only. This option could include just elected mayors (including the Mayor of London) and elected leaders or could encompass all those with a special responsibility allowance (including members of the London Assembly) – the government would welcome views on which councillors and elected local office holders should be eligible if this option were to be pursued;

Option 3: No change. Access to the taxpayer-funded Local Government Pension Scheme remains for all councillors and elected local office holders on the same basis as at present.

*Response:*

The preferred option is option 3: No change. The current basis allows Councils the choice of whether or not to offer the scheme to its councillors already. The number of Councillors eligible to join the scheme is minute against the number of employees eligible for the scheme. As the proposed employee scheme is a CARE scheme, the same as currently on offer to the Councillors, all could have access to the same scheme which makes administration easier.

**Question 2:** Do you have any alternative proposals on councillors and other elected office holders access to the Scheme?

*Response:*

If the status quo was kept there would be no need for any alternative provision. As stated above Councils already have the option to not allow Councillors to join the scheme should they wish to do so on financial grounds.

**Question 3:** If councillors continue to have access, do you agree with the proposed change in contribution rate? If not, what contribution rate would you recommend?

If councillors continue to have access post April 2014 and if that rate continued, some councillors' contribution rates would be out of kilter with the rest of the Scheme, placing too high a burden on local taxpayers.

It is proposed therefore, that from April 2014, any councillors who remain members of the Scheme are moved away from a flat rate 6% contribution to a tiered tariff based on the level of allowances received.

The government proposes that councillor contributions be brought in line with the rest of the Local Government Pension Scheme with a floor limit of 6%. Current proposals for the new Scheme would allow for the following councillor contribution rate:

Pensionable allowance range	Contribution rate
Up to £21,000	6%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 to £100,000	10.5%
£100,001 to £150,000	11.4%
£150,001 or more	12.5%

*Response:*

If Councillors continue to have access to the LGPS from 1 April 2014 it is supported that the proposed tiered contribution rates be introduced similar to those paid by employees but with the floor limit of 6% contribution rate.

## 9. Valuation 2013

- 9.1 The Triennial Valuation of the Pension Fund will take place this year. Part of this process will involve clean and accurate data of the membership being submitted to the scheme actuary.

- 9.2 This means that the normal year end process must be completed in a timely manner in order to ensure data is submitted to the Actuary by the deadline specified by them ie 30<sup>th</sup> June 2013. All employers were asked to submit data by 30 April and the vast majority met this date.
- 9.3 Nationally it is reported that some Funds have issues with obtaining this data. Shropshire has worked hard with employers on year end processes and changes to individual records to ensure “clean” data is held on the Pensions System. Employers are thanked for their timely submission and response to queries to ensure this Valuation includes accurate data and submitted on time.

## 10. Local Government Pension Scheme 2014

- 10.1 The consultation was issued in 2 parts. The deadline for responses was 3<sup>rd</sup> May and 24 May 2013.
- 10.2 The consultation can be found at [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/39772/consultation\\_on\\_LGPS.regs.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/39772/consultation_on_LGPS.regs.pdf) and the responses are attached at **Appendix C**.
- 10.3 Employers were sent a reminder to the deadline on 24 May 2013 together with a note from the Scheme Actuary, Mercer. The Fund Actuary remains particularly concerned about the Final Pensionable Pay definition. Their interpretation of that Regulation is that it applies the post 2014 pay definition, including non-contractual overtime, to benefits earned for pre 2014 benefits. They are clear that this has never been the intention. Whether this is a drafting error or not, if it is carried through into the final regulations it will impose substantial extra liabilities and funding costs for some employers. This has also been enforced in the response from the Fund.
- 10.4 A Working Party has been established within the Pensions Administration Team and a project plan will be put in place. This is to ensure Employers, Employees are kept up to date and the Pensions Admin team and software system will be ready for the new scheme on 1 April 2014.
- 10.5 From the recent regulatory consultations it is clear that all the historic calculations, documents and respective protections in respect of the Pre 2008 scheme, the post 2008 scheme will be retained whilst simultaneously having to introduce CARE calculations and documentation from 2014 onwards.
- 10.6 This has resulted in specific additional investment required to enhance the software system used for pension administration. Early indication is that this development will cost the Fund £26,700. This will be paid in two instalments (with no interest charged), the first being payable in August this year and the second in April 2014.

## **11. Auto-Enrolment**

- 11.1 The two main employers (Shropshire Council and Borough of Telford & Wrekin) have hit their staging date. The team have been working closely with them. The main change imposed on the admin team is that they now have to keep a record for all employees that opt out of the scheme. And employees can now only opt out through the Pension Fund and not via their employers.

## **12. Systems Update**

- 12.1 Further to reports last year with regards to an upgrade to new system, Altair, the Shropshire Council contracted to purchase the new system. It is hoped that the new system will be live in November 2013 and a project team has been put in place.

## **13. Pensions Administration Strategy**

- 13.1 The Local Government Pension Scheme (Administration) Regulations 2008 enabled the Pension Fund Administering Authorities to introduce a Strategy for the sole purpose of improving the processes with their Fund. These regulations are quite specific regarding the disclosure of information and performance statistics as part of this process but provide less guidance in terms of strategy.
- 13.2 The Shropshire County Pension Fund introduced its Strategy in June 2012. This strategy recognises that both employing bodies and the Shropshire County Pension Fund have joint role to play in delivering an efficient service and any overall improvements can only be achieved in partnership.
- 13.3 The strategy aims to ensure a seamless pension service, employing appropriate technology and best practice which both significantly improves the quality of information overall and the speed with which it is processed to provide better information for employers and stakeholders and a more efficient service to members.
- 13.4 The Administration Strategy Statement has been updated to take account of changes in Administration and legislation. The revised Statement is attached at **Appendix D**. Following approval this document will be issued to all employers and published on the website.

## **14. Pensions Fund Administration Audit**

- 14.1 The latest Audit on the Administration Team has been completed. It is pleasing that again the rating is GOOD, which is the highest possible.



14.2 There are a number of recommendations all of which have been rated in the lowest categories of either Best Practice or Requires Attention.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Pensions Committee Meeting 22 February 2013 Pensions Administration Report

**Cabinet Member (Portfolio Holder)**

NA

**Local Member**

NA

**Appendices**

Appendix A – Performance Monitoring  
Appendix B – Councillor Consultation Response  
Appendix C – Consultation Responses  
Appendix D – Administration Strategy Statement