



<u>Committee and date</u> Pensions Committee
17 March 2017
10.00am

<u>Item</u>
Public

## PENSIONS ADMINISTRATION MONITORING REPORT

**Responsible Officer** Debbie Sharp

Email: Debbie.sharp@shropshire.gov.uk

Tel: 01743 252192

Fax: N/A

### 1. Summary

- 1.1 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.

## 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. Administration risks are identified and managed and are reported to committee on an annual basis.

#### 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

Managing team performance and working with other Administering Authorities ensures costs to scheme employers for Scheme Administration are reduced. However, it must be noted that the introduction of the 2014 LGPS and the increased governance introduced by the Public Services Pension Act 2013 has increased the resources required by the administration team. Reconciling the Funds Guaranteed Minimum Pension Liabilities with HMRC will have a direct cost for the Fund but if this is not undertaken the Fund risks taking on financial liabilities it didn't need to and having its data called into

question by the Fund Actuary. LGPS having to fully index GMP's will increase costs for the Fund going forward. Further compliance with TPR code has highlighted areas where further costs could be incurred.

#### **4. Performance and Team Update**

- 4.1 The team's output and performance level to the end of **January 2017** is attached at **Appendix A**. The chart shows encouraging numbers of workflow procedures completed and also the percentage of those that were completed on time. The number of outstanding procedures has also dropped to a level not seen for some time this is as a result of directing team members to focus on certain areas of work in readiness for Year End.
- 4.2 The team have worked on getting more employers to send data through the iConnect service. This has meant that the new "online" version has been made available to smaller employers, which allows them to input data online rather than submitting a spreadsheet that the team have to then manually upload. To date there are now 52 employers using this method and 54 employers who load an extract. Guides were issued and in some cases site visits or telephone training was undertaken to provide support and training.
- 4.3 The team are working with the remaining employers to ensure that they have a working extract in place for April 2017 data to load through iConnect early May. This should mean that all employers will then be sending data electronically to the Pensions Administration System. The team are also looking at processes to ensure a smooth transition for new employers or those who change their payroll provider to eliminate any further manual spreadsheet returns.
- 4.4 A project has commenced looking at the current workflow system. Enhancements for analysing outstanding procedures were implemented in the latest software release which means that the current procedures need reviewing. The team will be looking at the set up and reporting of statistics. Priority will be given to the "Top 10" procedures initially.
- 4.5 The team's risk log has been updated and the risks identified are listed at **Appendix B**. Following amendments to the Council's Service Recovery Plan template, this has also been updated. Training sessions were held and attended by the Pensions Manager and Systems Team Leader.

#### **5. Help Desk Statistics**

- 5.1 The following chart shows the number of queries received through the helpline number.

	Nov 2016	Dec 2016	Jan 2017
Telephone calls received	659	402	716
Queries dealt with by helpdesk at first point of contact %*	92.56%	93.27%	92.87%
Users visiting the Website	1741	1555	1704

\* Where queries have not been dealt with by helpdesk, this will usually mean that the calls have been picked up by the rest of the team.

## 6. Communications

- 6.1 Work is underway to issue Annual Benefit Statements to deferred members electronically through Member Self Service (MSS) this year. To meet the requirements set out in The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, scheme members must be written to three times to inform them of the change to electronic communication and be given the opportunity to opt to continue to receive paper copies. Communication was started in 2016 with deferred members and a further two notifications will be sent in March 2017 and June 2017 to deferred members.
- 6.2 Each April the Fund issues a combined P60, April payslip and pensions increase notification to Pensioners. This year's project is underway and test data is currently being worked on. A copy of the pensioner's newsletter 'InTouch' is also being sent. Payslips and P60s continue to be available for pension members to view online if they wish.
- 6.3 The Fund has worked hard with employers to ensure each participating employer in the Fund has a discretions policy in place. To assist employers a template was purchased from the LGA which provided comprehensive guidance on making a policy including suggested wording. This has been helpful and there has been an increase in the number of discretions policies the Fund now has. Visits have also been made to various employers around the County to provide one to one guidance. The Fund no longer issues any quotations to members if they require an exercise of a discretion if their employer has not got the appropriate policy in place. The Fund has 8 employers who still have not made a discretion policy and these employers have been recorded on the breaches log.

## 7. The Pensions Regulator (TPR) Compliance Monitoring Framework

- 7.1 It's important that the administration of the Shropshire County Pension is regularly reviewed to identify any areas that need updating or improving. This is in accordance with the Public Service Pensions Act 2013 and the reason why the Pensions Board was established back on

1 April 2015. Under the Act, the Pensions Board has responsibility for assisting the Scheme Manager to secure compliance with the scheme regulations. A review was undertaken in January 2017 and presented to the Pensions Board against the statutory requirements imposed on the Fund and the guidance in the Pensions Regulator's Code of Practice 14. The Pensions Regulator's Code of Practice is attached at Appendix C.

- 7.2 This was a significant piece of work to undertake and the Fund has made an initial assessment on its perceived level of compliance. Each area specified in the Code of Practice has been given a compliance RAG rating (red, amber or green) to help identify any areas where the Fund is non-compliant. Throughout the TPR's Code of Practice the term 'must' is used where there is a legal requirement. The term 'should' is used to refer to practical guidance and the standards expected by the TPR. The Fund has prioritised the areas of compliance described in the Code of Practice as 'must' and where these have been RAG rated as either amber or red. The assessment identified five priority areas which require improvement. All five are a legal requirement where 'must' has been used in the Code of Practice and have been rated as 'amber' meaning requiring investigation. Any areas identified where the term 'should' has been used will be investigated once the priority areas have been resolved. There are no areas identified in the self-assessment as being Red. The areas identified for improvement are:
- **Governing your Scheme**  
Areas of knowledge and understanding required
  - **Administration**  
Records of member information  
Benefit Statements  
When basic Scheme information must be provided
  - **Resolving issues**  
Internal Dispute Resolution Procedure
- 7.3 Two of the areas identified are aligned to the findings of the Regulator's own survey of compliance which it undertook with all LGPS Fund's. These areas are record keeping and communications to members. A summary of the assessment exercise and where the priority areas have been found was provided to the Pensions Board. The next review will be undertaken in July 2017 and the developments reported to the Pensions Committee and Pensions Board.
- 7.4 As part of the TPR compliance review the Fund has looked in detail at the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 which requires the Scheme Manager to keep specific data about members.
- 7.5 There are improvements that can be made in this area and the Fund has recently undertaken a review to establish any additional processes which should be introduced to ensure completeness and accuracy of

information held. There are gaps in the address data held for deferred Scheme members; identified when post has been returned to the Pensions Team and as a result the member has been recorded on the Pensions Administration system as 'gone away'. Currently, member tracing is undertaken when benefits are due for payment, although it is recognised that this type of exercise is required more often. There is not currently enough staffing resource to undertake this exercise on an annual basis.

- 7.6 The Fund is using the Pensions Regulators guidance to implement a data improvement exercise to specifically tackle the issue of missing addresses and a project is currently underway to identify and update the inaccurate addresses held on the Pensions Administration System. The Fund is obtaining quotations from companies who specialise in tracing 'gone away' members, to work with the Fund across certain categories of membership to improve the records. There is also merit in looking into a mortality screening exercise at the same time to establish whether members have passed away. However, the Fund does participate in the LGPS National Insurance Database which means that a notification will be received if a member dies and is in another LGPS Fund, as this avoids the payment of two death grants which is not permitted under the LGPS regulations. The Fund also participates in the national Tell Us One (TUO) death notification service. These services however do not tackle any historical non notifications of deaths.

## **8. System Disaster Recovery**

- 8.1 A Disaster Recovery (DR) exercise took place on 13<sup>th</sup> December 2016. This tests that the Pensions Administration System can be moved to and run on a back-up server in the event of the main server not being available. Currently the system is run from a server at the Shirehall with a mirror back-up server at Nuneaton.
- 8.2 A test plan is agreed in advance and pre-tests are undertaken. This ensures totals from the system are logged which can then be checked and balanced at each part of the recovery process. On the morning of the DR all users are locked out of the system except for those involved in the process. For the first time a user worked off site to test if the mirror server could be accessed remotely.
- 8.3 IT undertook the move to the off-site mirror server and then Fund staff tested the access. When tests were completed, IT moved the system back to the main server for Fund staff to complete final checks and ensured Altair was running successfully again before then being made available to all users.
- 8.4 The DR went well and the systems successfully transferred to the server at Nuneaton and back to the main server. It was also proved that a user could access the off-site server remotely. However, it was confirmed, that the mirror server is considerably slower than the main

server, with only 3 users. The report writer tool worked with a small report but had to be aborted when running a larger one, again down to the smaller size of the server.

8.5 It was concluded that the mirror server would not be robust enough for all the Pensions Team to access at the same time and therefore only a small number could use the system for a limited time.

8.6 Alternative DR provision must therefore be sourced.

## **9. Hosting, Payroll and Enhanced MSS**

9.1 The team have been meeting with IT with regards to Shropshire Council's (the Council) strategy for systems Hosting. Assurance is needed that our current provision is robust or whether external hosting services should be looked into.

9.2 It is understood that as part of the Council's digital transformation the replacement systems it is currently tendering for will be externally hosted.

9.3 The Council is tendering amongst other things for an alternative payroll system. The Fund therefore is having to look into the alternatives for running the Pensioner payroll. The current system used by the Council, Resource Link, is a system set up for payments for a staff payroll. It has been considerably hard to apply this set up for the payment and increases for Pensioners. In the past there have been very little alternatives to look at but there is now an option to use Altair payroll. This would be a "bolt on" to the current Altair system and would mean that payments could interface to Altair payroll from the Administration systems. This would mean information is held on the same database ensuring consistency, accuracy and security of data.

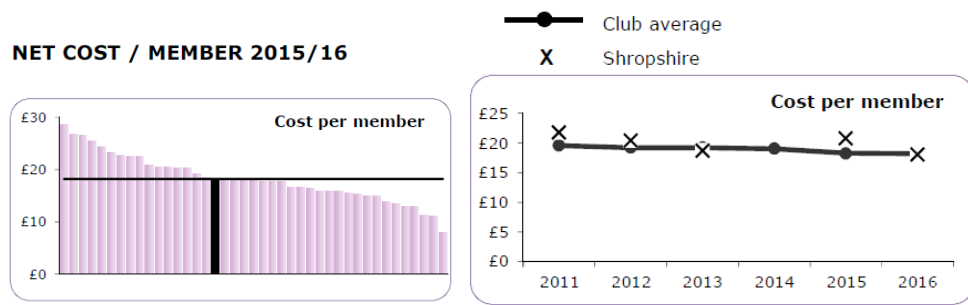
9.4 An enhanced version of the Member Self Service facility is also being looked at. This provides improved content management tools; fully supports multiple devices such as tablets and mobile phones; provides significant enhancements to the "look and feel" of the platform for members and far greater flexibility for Fund customisation. The use of MSS is increasing significantly following Annual Benefit Statements now being available on-line and not posting a paper copy.

9.5 As a result of needing to future proof the payment of pensions and needing to ensure the online member experience is improved, further discussions have taken place with IT on whether additional hardware is required or whether virtual hosting can be used in the meantime. Costs are awaited from IT. But this together with the fact that the other main Councils systems will be externally hosted it is looking likely that a decision will need to be made soon on whether the Fund needs to look at an external hosting solution within the next financial year.

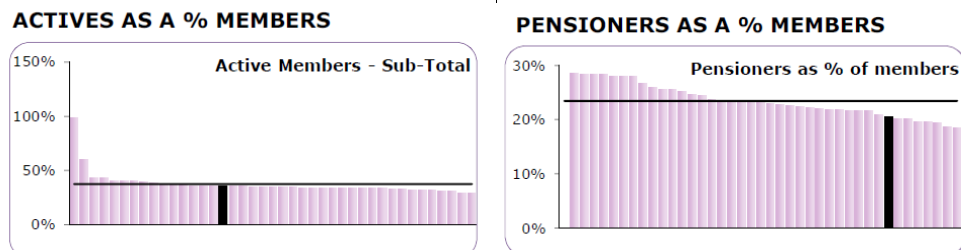
## 10. Benchmarking

10.1 The Pensions Administration Benchmarking Club has been in operation for some time and compares the cost of Pensions Administration with other Pension Funds nationally including some out-sourced to private contractors.

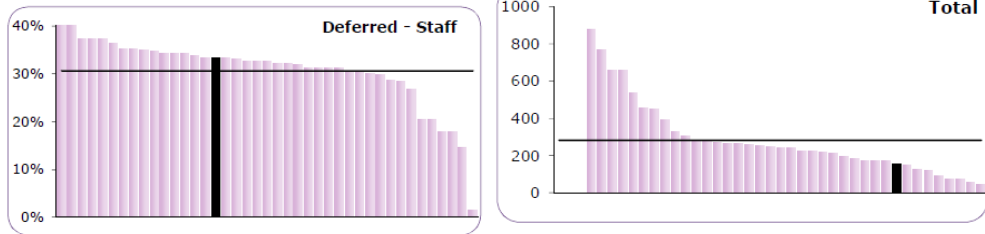
10.2 The following bar chart shows Shropshire is just below the group average of £18.18 per member at £18.04 per member. The second chart shows Shropshire's position against the average cost since 2011. (Benchmarking was not undertaken in 2013/14). You will see that the cost per member has reduced in 2016 compared to 2015. The Fund invested in staff in 2014 as a pre-emptive measure for the introduction of the new Scheme. Other Funds have since had to do a similar as now shown in the charts. However there are still some areas of work that the team are struggling to undertake and the existing staffing structure is currently being reviewed.



10.3 The following charts show the composition of members as at 31 March 2016. It shows that the Fund has just below average proportion of actives at 35.9%, the average is 37.2%, above average of deferred beneficiaries and a lower than average number of pensioners. The fourth chart also shows that the number of employers in the Fund is below the average. However, the number of employers in the fund is continuing to rise. This is partly down to the fact that after a slow start we are now seeing larger number of Schools converting to Academies across Shropshire Schools. And with the Central Government push for schools to convert this is directly impacting on the staffing resource in the Team.

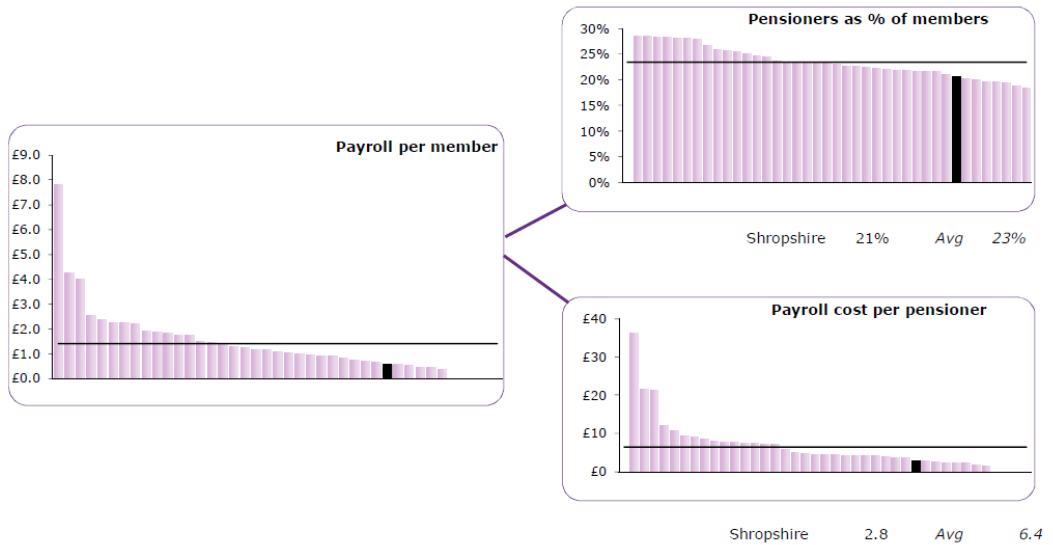


**NUMBER OF LGPS EMPLOYERS**



10.4 The following charts show the payroll cost per member. You can see that the average is £1.41 and Shropshire is 0.57p per member. This has always been a low cost historically as employer work was always undertaken by the Fund so a recharge was not made for utilising the Council’s payroll software. This has been reviewed for transparency and will change going forward.

	£'000	£ per member	Avg
Payroll (combined)	27	0.57	1.41



**11. Regulation Update**

11.1 On 4 October 2016, the Department of Communities and Local Government published new late retirement guidance for the LGPS in England and Wales. The guidance is effective from 4 January 2017. The three month period between the issue of the guidance and the effective date reflects the fact that the new factors are significantly less favourable to an LGPS member than the current factors.

11.2 The new pensions uplift for late retirements is 71.4% of the current rate (0.010% per day compared to the current rate of 0.014% per day) and the new automatic lump sum uplift is 14.3% of the current rate (0.001% per day compared to the current rate of 0.007% per day).



## 12. GMP Reconciliation Update

- 12.1 In November 2016 HMRC published further information on the ceasing of contracting out, focusing on the reconciliation of active member records and in particular an exercise called the closure scan. The closure scan will automatically close open periods of contracted out employment held on HMRC records, using the Scheme Contracted-out Number (SCON) provided by Employers on their Full Payment Submissions (FPS). The Fund has completed and returned its closure scan request to HMRC before the required deadline.
- 12.2 The Fund continues to work with ITM on the second phase on reconciliation for Deferred and Pensioners members' GMP's. It is looking most likely that the rectification phase will also need to be undertaken by a third party.

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

Pensions Committee Meeting 25 November 2016 Pensions Administration Report  
Pensions Board Agenda Reports from meeting on 5 February 2017

**Cabinet Member (Portfolio Holder)**

NA

**Local Member**

NA

**Appendices**

Appendix A – Performance Monitoring

Appendix B – Risk Log

Appendix C – Pensions Regulators Code of Practice 14