



<u>Committee and date</u> Pensions Committee 27 July 2018 10.00am
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<u>Item</u> 15 <u>Public</u>

PENSIONS ADMINISTRATION MONITORING REPORT

Responsible Officer Debbie Sharp

Email: debbie.sharp@shropshire.gov.uk

Tel: 01743 252192

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 June **2018** is attached at **Appendix A**. The chart shows that tasks that became due and procedures outstanding both have reduced over the past quarter. This was mainly due to targeting workload clearance and filling vacancies. The team is again fully staffed and training is underway.

5. Help Desk Statistics

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

	Feb 2018	March 2018	April 2018
Telephone calls received	771	671	684
Queries dealt with by helpdesk at first point of contact %*	87.55%	85.69%	89.48%
Users visiting the Website	Data unavailable due to an IT error	2125	4830

* 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.

5.2 The average number of calls taken by the helpdesk per day is 22 for the quarter to 30 April 2018. The Helpdesk also responds to a number of emails on a daily basis the following table shows these numbers:

	Feb 2018	March 2018	April 2018
Emails Received	411	445	477
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	20.55	21.19	22.71

6 Communications and Governance

6.1 The Fund monitors member take up of its online area Member Self Service (MSS), known by members as 'My Pension Online'. The

Annual Benefit Statements for both active and deferred members are now only available to view on 'My Pension Online' unless a member has requested a paper copy. As at April 2018 a total of 37.3% active members and 29.7% of deferred members were registered to view their records on 'My Pension Online'.

6.2 A project is currently underway to update the system used to provide 'My Pension Online'. The upgrade will provide; an improved system for pensions staff updating content, better responsiveness for members logging on using a phone or tablet and will modernise the design of the current system. The expected go live date of the upgrade is autumn 2018.

6.3 For a number of years Shropshire has led on a collaboration with other LGPS Funds to create standard templates for Annual Benefits Statements and newsletters as part of a Communications Working Group which is chaired by a Team Leader within the Shropshire Fund.

This year has seen an increase in Funds requesting to join the group and use the templates. Recently a total of 13 Funds, representing 513,766 members collaborated to produce a newsletter for deferred members. 11 Funds, representing 488,354 members are collaborating to create a newsletter for active members due to be sent with Annual Benefit Statements in August. Both newsletters were reviewed by the Plain English Campaign and the collaboration by all Funds means that all design costs are minimised and shared.

6.4 In April 2018, Pat Hockley a Member Representative on the Pensions Board for three years stepped down and the Fund is currently recruiting for a replacement.

7. Data Improvement Plan

7.1 The Pensions Regulator originally published guidance on record keeping in June 2010, aimed at ensuring improvements in the accuracy and completeness of pension scheme data. For the public sector, data quality requirements were eventually enshrined in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014. The Regulator now seems to be focussing attention on the LGPS. In particular is their concern at what is seen as a lack of progress across all Funds in the LGPS in tackling issues around the accuracy and completeness of member data.

7.2 As part of the 2018 Pension Regulator scheme Funds are required to provide a "data score" in respect of common and scheme specific data. In the private sector, the Regulator included a 95% target in respect of legacy members (i.e. those who have not had data changes since June 2010). Unless this is confirmed for the public sector it appears that the statutory requirement to hold accurate and complete data will be absolute (i.e. 100% in respect of all member data). By adding these new measures to the scheme return the Regulator believes it will be

able to target its interventions more specifically at those schemes, or LGPS funds, failing in their duties.

7.3 There are 11 key data items used to identify the scheme membership that are common to all pension schemes. They are surname and initials, NI number, date of birth, gender, date joined scheme, target retirement date, membership status, date of last status change and address and postcode.

7.4 Scheme specific data consists of all the types of data used to accurately calculate benefits which are conditional to the make-up of each pension scheme. To ensure consistency across all LGPS administering authorities a standard set of scheme specific data for administering authorities to report on is being developed by the Scheme Advisory Board (SAB) and they have recently issued a draft scheme specific data specification for consultation, which it states represents the most comprehensive content based on the Regulator's guidance and other relevant documents. The Fund has engaged with the consultation and provided feedback to the data specification suggested by SAB.

7.5 As a result, it may be the case that the tests already undertaken by the Fund may be more comprehensive than recommended by SAB. As the Fund has contracted with its software supplier to run data quality reports for the next 3 years it is expected that two data scores can be provided; one for the test against SAB scheme specific data and one against the Funds more comprehensive list. Tests will be rerun in July ready for the Pension Regulators scheme return to be submitted in September. Both common and scheme specific data scores will be reported to committee later in the year.

7.6 In June 2018 the Communications and Governance Team Leader presented at two national conferences on the data quality work the Fund has undertaken.

8. Equitable Life

8.1 Equitable Life, as part of its gradual wind up, has agreed to transfer its policies to Reliance Life. The proceeds are to be invested into the With Profits Fund, which will then close, increasing the expected capital distribution on non-guaranteed With-Profits values from 35% to around 70%. The transfer, and increase in the capital distribution, are expected to take place in late 2019. This is a significant change and is yet another, in a growing list, taking place among the providers that have traditionally offered AVCs to the LGPS.

9. GDPR

9.1 Like many organisations in the UK the Fund took steps to ensure it was compliant with the new General Data Protection Regulations (GDPR)

which came into force on the 25 May 2018. The Fund is a data controller under GDPR, most of the information the Fund receives is provided by employers, who are data controllers in their own right. There is no requirement under GDPR for data controllers to enter into formal contractual relationships with other data controllers with whom they share and from whom they receive personal data. To explain the relationship between the Fund and participating employers a Memorandum of Understanding (MOU) was provided by the LGA which sets out the Fund's rights and obligations in relation to the member data held and shared. The MOU was shared with all employers participating in the Fund.

- 9.2 Full and summary privacy notices are available on the Fund's website. The notices explain how and why member data is held, and what rights a member has in relation to this data and all Fund correspondence has been updated with a data protection notice.

10. LGPS Amendment Regulations

- 10.1 Local Government Pension Scheme (Amendment) Regulations 2018 were updated on 19 April 2018.

10.2 Summary of Changes;

- With effect from 1st April 2014 the survivor of any Tier 1 or Tier 2 ill-health retirement that occurred on or after 1st April 2014 will now be entitled to additional pension as the enhancement granted also counts toward survivor benefits (the original Regulation wording was flawed and resulted in survivor's only being entitled to accrued pension);
- With effect from 1st April 2014 members who aggregated previous LGPS benefits after 31st March 2014, where they had left service before 1st October 2006 and their Normal Pension Age was between age 60 and 65, now have a normal pension age of 65 for those aggregated benefits (the rule of 85 may still mean that they can be taken unreduced from an earlier age);
- With effect from 1st April 2014 where the pay the member received was materially lower than the level of pensionable pay that member normally received during the period used for determining APP, the employer is given the right to increase that pay to reflect the level of pensionable pay that the member would normally have received.
- With effect from 1st April 2014 slight changes in the definitions for eligibility to LGPS:
- With effect from 14th May 2018 members with deferred benefits under the earlier regulations may now take voluntary early retirement from age 55 (rather than previously having to wait until age 60). With this is the extension of the regulations already there for Post 2014 members, whereby the employer (or the authority if that employer no longer exists) can decide whether or not to allow the full rule of 85 to apply, where the member satisfies the rule of 85 before age 60. This change will see a rise in the workload of the team which will be closely monitored.

- However, an unintended transitional issue has now arisen, due to the wording used. Members who left service before 1st April 1998 can elect for early retirement at age 55 but members over the age of 55 on 14th May 2018 are precluded from taking voluntary early retirement. MHCLG have confirmed that a further set of amending regulations will be needed and further changes by way of guidance or a correction slip are not possible.
- An amendment has been made to confirm that a member only has to take benefits from their active pension account when employment is terminated at or after age 55 due to redundancy or business efficiency. This will help stop issues on strain cost exceeding the Cost Cap when Exit Payment reform is fully enacted.
- An amendment has been introduced to allow for the possibility of an exit credit to be paid where an employer ceases in the scheme and their liabilities are fully funded and there is a surplus. Action is required by the Fund to revisit any Admission Agreements that may be affected by this change.
- An amendment has been made to cater for the possibility of an exit credit to be paid where an employer may be required to make additional (strain cost) payments to include an employer's waiver of actuarial reductions if a deferred member takes early retirement before age 60 and any of the early retirement penalty is waived.
- An amendment has been made to confirm that where a Club Transfer occurs the administering authority must comply with the Public Sector Transfer Club memorandum.
- An amendment has been made to mean, that individuals who have transferred-in from other Public Service schemes, who would have met the criteria for the statutory underpin if they had been in LGPS, are granted underpin protection.
- An amendment has been made to limit members with deferred benefits, who were not active members immediately before and on 1st April 2014 of the 2014 Scheme, to having 12 months from date of joining or such longer period as the employer permits, to elect to aggregate benefits.
- A standalone provision has been made to make clear that existing admission agreements are to be treated as if they were the subject of a determination under section 2(5) of PSPA 2013. Additionally, each administering authority has 12 months to publish a list of their current admission agreements

11 Pensioner Payroll Implementation

- 11.1 The scope of this project has been agreed between Shropshire Council and the Software provider. Both the PID and Payroll survey documents have been signed off.
- 11.2 Project is on schedule to go live in September 2018 and is currently within budget.

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

Pensions Committee Meeting 16 March 2018 Pensions Administration Report

Pensions Committee Meeting 24 November 2017 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Chart