



<u>Committee and Date</u> Pensions Committee
16 March 2018
9.30am

<u>Item</u>
<b>16</b>
Public

## PENSIONS ADMINISTRATION MONITORING REPORT

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### 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 and;
- 2.2 Approve the decision to not collect overpayment of pension due to incorrect GMP information being held in accordance with guidance that the Pensioner would not have known their pension was incorrect due to the complexity of the Contracting out legislation.

## 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 2018** is attached at **Appendix A**. The chart shows that tasks that became due and procedures outstanding both rose to quite high levels during the quarter to December 2017. This was mainly due to staff taking leave, vacant posts still unfilled and the closedown at Christmas. In January 2018 the level of outstanding tasks reduced. This situation is being monitored and it is expected all vacancies will be filled by the end of March.
- 4.2 All Fund Employers have been contacted regarding the requirements for the year end 2018. Most member data is now supplied monthly via iConnect. The year-end data requirements should be completed when the Employers upload their month 12 data submission so that all records have contributions and pay posted to each individual member's record. Plans are in place to then complete the usual year-end data checks in line with the project plan in place for the Annual Benefit Statement production in August.
- 4.3 As well as the data requirements for individual scheme members the employers are required to complete a reconciliation for the year. They must reconcile the total amount deducted from pay for each scheme member to that paid over to the Fund. All employers have been sent a year end statement for completion and return by 30 April 2018. This is to ensure that any under/overpayments can be reconciled in time for the close of the Pension Fund Accounts. The Employers also have to complete a compliance statement that they have robust systems in place and that all deductions are correct and in compliance with the appropriate legislation.
- 4.4 It was previously reported that the team had been looking into ensuring the hosting of the Altair Pensions Systems was future proofed and robust. Disaster Recovery tests had highlighted weaknesses in current hosting set-up with the Council. External hosting was explored but after lengthy discussions with Shropshire Council's IT service and the IT strategy agreed upon by the Council in the second half of 2017, it was decided that the best solution would be to stay in house but to move to the Virtual Environment. This has been successfully undertaken and service went live during February 2018. A project will now take place to look at the changes needed to our Disaster Recovery plans taking into account the Council's plans on its virtual Environment.

## 5. Help Desk Statistics

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

	Nov 2017	Dec 2017	Jan 2018
Telephone calls received	755	419	799
Queries dealt with by helpdesk at first point of contact %*	90.33%	89.50%	89.98%
Users visiting the Website	2536	1841	2415

\* 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 32 for the quarter to 31 January 2018. The Helpdesk also responds to a number of emails on a daily basis the following table shows these numbers:

	Nov 2017	Dec 2017	Jan 2018
Emails Received	467	250	504
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	22.24	15.63	22.91

5.3 During the period from 1.November 2017 to 31.January 2018 the calls received by the Helpdesk were monitored to highlight any developments needed to the Fund's website or communication material. It has been established that the most common calls were as follows:

1. Personal details changes
2. Assistance with Member Self Service (MSS)
3. Request for benefits quotes
4. Opt out query
5. Pensions payroll query

Officers are now reviewing the information provided to members (e.g via the Fund website) to determine whether it can be updated to help members find the information they require in a more efficient way.

## **6. Communications and Governance**

- 6.1 As reported to Committee in November 2017 the Fund is working to increase the take up of its online area; Member Self Service (MSS). To meet this aim all employers in the Fund have been offered pension surgeries on site for their employees. From October 2017 to January 2017 a total of 6 employers' organised surgeries for their members with Pension Team staff and 138 members received a 1-2-1 appointment during this period.
- 6.2 Work is underway to issue this year's Annual Benefit Statements to active and deferred members by the regulatory deadline of the 31 August. Statements are issued through the online area 'Member Self Service' saving costs on printing and postage unless a request has been made in writing for a paper copy.
- 6.3 On 21st February 2018 in a written statement by the Chief Secretary to the Treasury to the House of Commons, it was confirmed that:
- Public Service pensions will be increased from 9 April 2018 by 3%, in line with the annual increase in CPI up to September 2017, except for those public service pensions that have been in payment for less than a year, which will receive a pro-rata increase.
  - CARE Benefit accrual in the LGPS, will also increase in line with the annual increase in CPI up to September 2017, 3%.
- 6.4 Work is underway to communicate the 2018 Pensions Increase (PI) to pensioner members. This will be a combined P60, Payslip and PI notification. Deferred and active members will be informed of the increase to their accrued benefits via their Annual Benefit Statements.
- 6.5 It was reported to Committee in November 2017 that the full analysis from the Scheme Advisory Boards survey would be shared. There has been a delay and the results are now expected to be shared with Funds in the summer.

## **7. Data Improvement Plan**

- 7.1 As reported to committee in September 2017 the Fund has undertaken a Data Quality Review. The high level summary of the results were provided in September. The review looked at not only the presence of data but also the accuracy of the data held in the Pensions Administration System. Two main definitions were used in the review; 'Common data' and what was referred to at the time as 'Conditional Data' – these are definitions set by The Pensions Regulator (TPR). 'Conditional Data' has since being renamed 'Scheme Specific' data by the TPR to remove the misconception that they are optional.

- 7.2 TPR has re-confirmed that it intends to increase its focus on record keeping and that data quality remains a high priority. In November 2017 two guides were issued to help Schemes measure and improve the data it holds. These documents can be found at **Appendix B** and **Appendix C**.
- 7.3 As part of this focus, TPR has mandated that all Pension Schemes will, for the first time, have to report data accuracy scores in the 2018 scheme return. They will be asking Schemes when they last reviewed common and scheme-specific data and how much of this data is complete and accurate. This will need to be provided as a percentage score of members with all data items present and accurate. It is understood TPR are asking for this information so they can measure the quality of record-keeping in the pensions industry, track the progress of individual schemes and target individual Schemes who are failing to meet the requirements.
- 7.4 When the Fund undertook its review the checks on the scheme specific data were agreed taking into consideration guidance from the TPR on 'conditional data'. However, now the regulator has changed this to 'scheme specific data' guidance from the Scheme Advisory Board (SAB) is now expected on what data items are scheme specific for the LGPS and the tests the Fund has already performed will be reviewed once the guidance is released by the SAB.
- 7.5 The common data was measured on a data cut taken as at 15th June 2017. The score was 92.7% of the data was accurate. The scheme specific data (conditional at that date) was measured on a data cut as at 17<sup>th</sup> July 2017 and the score was 80.9%. TPR expects that Funds with scores under 100% draw up a data improvement plan. Therefore, a plan is being created to demonstrate the steps the Fund is taking to improve data.
- 7.6 Work is already underway tackling the high priority data fails which were highlighted as part of the review. This is being undertaken in-house with officers correcting the records held on the Pensions Administration System.

## **8. Address Checking**

- 8.1 At November 2017 Committee it was reported that an external contractor had been identified to trace missing addresses for some scheme members. Unfortunately, this has been unable to proceed further due to an issue with the contract. This is due to the insurance of the liability of data not being compliant with the new GDPR rules, coming into force in May 2018. Further work will now be undertaken to secure a contract with possibly an alternative contractor that does comply with GDPR.

## 9. GMP Reconciliation

9.1 Further to the report brought to the September 2017 Committee the 3<sup>rd</sup> stage GMP rectification exercise for Pensioners and the reconciliation exercise for Active members has now started.

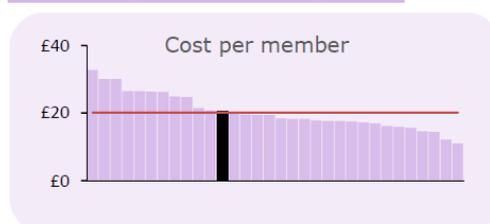
9.2 As previously reported rectification of Pensioners pension payments will follow guidance from the LGA. This includes non-collection of any overpayment due to the fact that the pensioner is unlikely to have known the payment was wrong because of the complex nature of pension increases due to the Guaranteed Minimum Pension complexities. See **Appendix D**; LGPS Administration Authority information note contracted out reconciliation: pensioner overpayments. June 2017.

## 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.

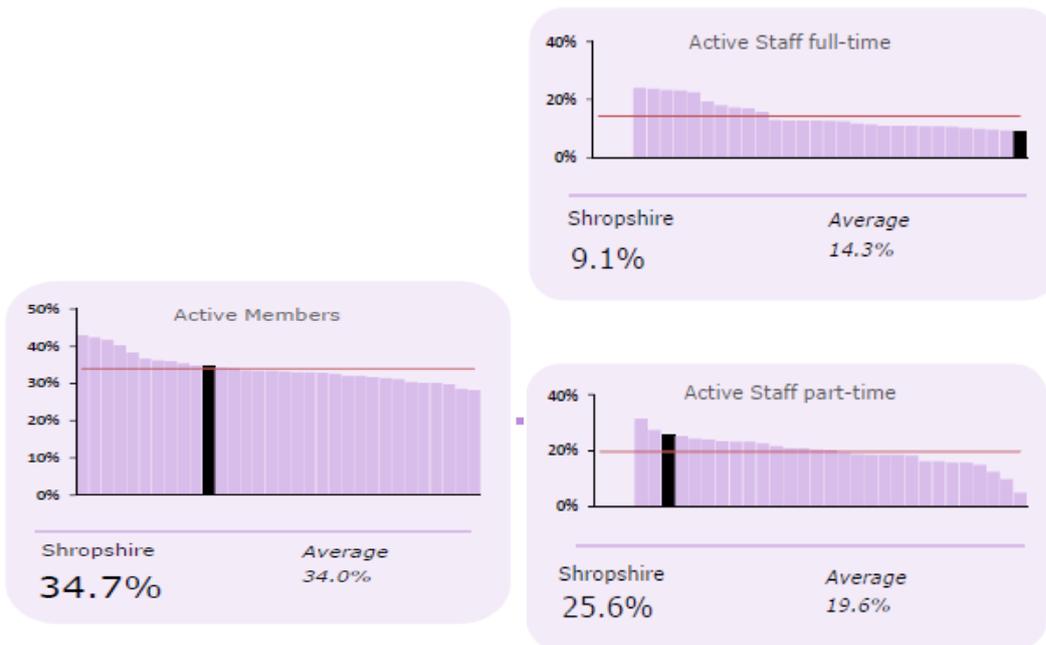
10.2 The following bar chart shows the net cost per member and Shropshire is just above the group average of £20.14 at £20.32. The second chart shows Shropshire's position against the average cost since 2012. (Benchmarking was not undertaken in 2013/14). You will see that the cost per member has slightly increased compared to 2016 but is still lower than in 2015. The team has had an increase in resources over the past few year due to the new scheme in 2014 and the increased importance and regulation on good data quality and governance. Because of this investment the Fund has been able to meet the revised annual deadline of 31 August, introduced in 2014, for the production of Annual Benefit Statements. The introduction of the use of the iConnect service to receive data from all employers on a monthly basis has also helped this deadline to be met as well as putting the Fund in a good position to undertake a review of its data quality. Some of the other Funds compared to on this chart are not always able to meet deadlines and have not yet undertaken a review of data. Not all Funds are doing monthly postings of data yet and have to rely on year-end returns. A review is still to be undertaken of the procedural turnaround times used to measure against Disclosure Regulations through our workflow processes to ensure reporting of KPI's is robust.

Net Cost / Member 2016/17

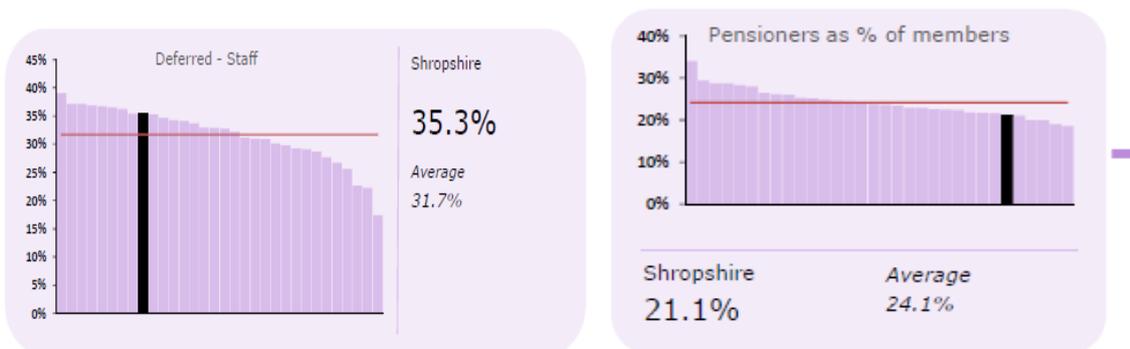


10.3 The following charts show the composition of members as at 31 March 2017. It shows that the Fund has above average proportion of actives at 34.7%, the average is 34%. Interestingly of these actives, a big proportion, 25.6%, are part-time, this is quite a bit above the group average of 19.6%. 9.1% being Full-time which is the lowest of the group. Administratively, active member and particularly part-time scheme employees are more time consuming than the other membership groups. Part-time members are particularly more labour intensive largely due to the bulk of these being school based staff and the nature of these posts mean that there are a lot of changes and transfer to new posts.

**Active Members**

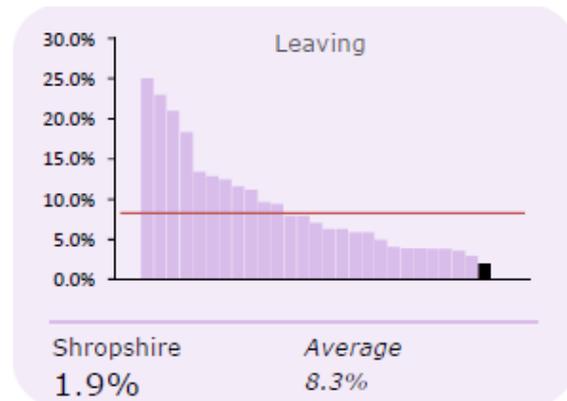
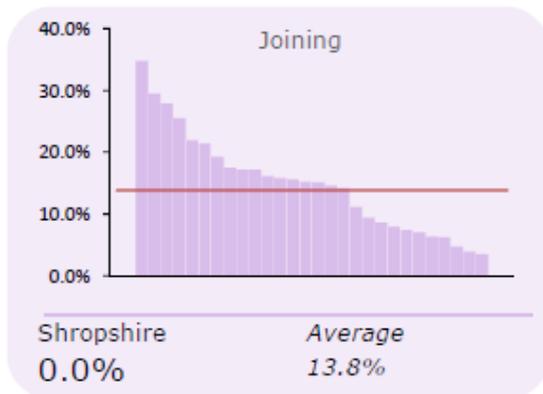
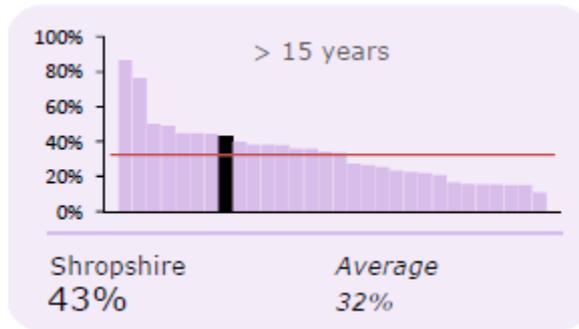


These next charts show that the Fund has an above average number of Deferred Pensioners but below average number of pensioners.



It is also interesting to note, shown in the following charts that the number of years of experience of the staff at Shropshire is above average within the LGPS. 43% have

more than 15 years' experience, compared to the group average of 32%. This contributes to good staff retention:



**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 September 2017 & 24 November 2017 Pensions Administration Report

**Cabinet Member (Portfolio Holder)**

NA

**Local Member**

NA

**Appendices**

Appendix A – Performance Chart

Appendix B – The Pensions Regulator – A quick guide to measuring your data

Appendix C – The Pensions Regulator – A quick guide to improving your data

Appendix D – LGPS Administration Authority information note contracted out reconciliation: pensioner overpayments. June 2017.