

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.

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. 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 October 2018 is attached at **Appendix A**. The chart shows that tasks outstanding remained at a steady level, some of these will not yet be due for processing. Encouragingly, the number being completed on time and within target is continuing to show improvement.
- 4.2 The team are working on a project to ensure that outdated workflow cases are replaced with simplified processes and correct target dates for effective measuring. Monthly project meetings take place between staff from both the operations team and systems team to progress this work.
- 4.3 Staff vacancies have recently arisen within the team as 3 members of staff have decided to leave the team. Two of these posts are permanent and one is a maternity cover. The team will be advertising to fill these vacancies quickly.
- 4.4 Meetings have taken place with IT for assurance to be sought with regards to Cyber Security. The Pensions Regulator guidance will be addressed by formulating a statement of compliance. Although the Council undertook a disaster recovery exercise across their main systems, the Pensions Administration system was excluded on the day. This has been raised with IT for re – scheduling, during the next quarter. Penetration testing by an external company will also be undertaken once the new MSS product goes live.

5. Help Desk Statistics

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

	August 2018	September 2018	October 2018
Telephone calls received	677	681	758
Queries dealt with by helpdesk at first point of contact %*	87.40%	89.28%	86.93%
Users visiting the Website	2,848	1,859	2,529
Member drop ins	72	58	60

* 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 Helpdesk also responds to a number of emails on a daily basis the following table shows these numbers:

	August 2018	September 2018	October 2018
Emails Received	496	514	550
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	21.57	25.70	23.91

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 available to view on 'My Pension Online' unless a member has requested a paper copy. As at November 2018 a total of 39.1% active members and 31.5% of deferred members were registered to view their records on 'My Pension Online'. The project to upgrade the current 'My Pension Online' system is still ongoing. Installation of the upgraded system was delayed due to additional work required to ensure the system met the security requirements of the Council. Upon recommendation from the Information Governance Officer an initial penetration test has been completed, by Shropshire IT staff, on this system and no high-level risks were found. 4 improvements were recommended and 3 out of 4 of the issues were resolved immediately – the final issue is currently being worked on. Training was provided to officers by the system supplier Heywoods on 24 October 2018. A user acceptance testing (UAT) period started on 5 November and is expected to last 4 weeks. If the UAT is successful the upgrade is expected to go live early December 2018 – a month later than previously reported.

6.2 Pensions Board vacancy

Following interviews on 19 September 2018, to fill the current member representative vacancy on the Pensions Board, retired member John Hall was appointed to the position. John has attended the Annual meeting on 15th November and the Board meeting on 16th November.

6.3 Developments to the pensions website

Following recommendations from the Council's IT web team the pensions website is being moved onto a new content management system called Umbraco. This is the same system the Council uses for its main website. The new system allows the team to have greater control of the website i.e. displaying newsflash messages, and provides a larger platform for content as the pensions website

continues to grow. The new website also provides better usability when being accessed via a smart phone or tablet. Training has been provided by the web team to the main team users and it is due to be switched on at the end of November 2018.

7. Pensioner Payroll Implementation

- 7.1 Pensioner payroll on Altair went live in October 2018 as previously reported. Testing was completed and parallel runs were reconciled. An internal audit was undertaken on the project governance and documentation and this received a good rating.
- 7.2 The project now moves to phase 2 which is the merge of the payroll database to the main Altair admin database. This is being undertaken during November and December 2018.
- 7.3 Within this phase the team will also look at how the immediate payments facility can be used for making payments through the Payroll system instead of through the Council's finance system.
- 7.4 The project is still on schedule and within budget.

8. 2018 Budget announcement

- 8.1 In the 2018 Budget, 29 October, the Chancellor of the Exchequer confirmed the reduction in the SCAPE discount rate from CPI + 2.8% to CPI + 2.4% in the 2018 Budget.
- 8.2 The SCAPE discount rate is used to set the employer contribution rates in the unfunded public service pension schemes and determine the actuarial factors used across all public service pension schemes. The reduced rate is effective from 29 October for the calculation of actuarial factors in the LGPS – this means that some non-club transfers, some interfund calculations and all CETVs for divorces are on hold until new factors are issued. It is expected that new factors will be issued by the Secretary of State in due course, within approximately 6 weeks (i.e. early December 2018). Quotations affected by these factors cannot be issued and are currently being stockpiled and monitored. It is not necessary to suspend Club transfers. Communication to members, documentation and internal processes all have to be updated during this period.
- 8.3 MHCLG have also confirmed that the remainder of the scheme's actuarial factors will be amended to take account of the reduction in the SCAPE discount rate in due course. It is expected that these revised factors will be issued around February/March 2019. Communication to members who request a retirement quote or who are leaving with an effective date on or after 1 February 2019 has been put in place.

- 8.4 Changes will be required to the pensions administration system to update the factors when issued. Which will then enable the stockpiled calculations to be worked on.

9. Ministry of Housing, Communities and Local Government (MHCLG) open consultation on technical amendments to benefits

- 9.1 MHCLG have recently opened an eight-week policy consultation called 'LGPS: technical amendments to benefits', found in **Appendix B**. The consultation looks at three areas:

- Survivor benefits – including changes to pensions paid to survivors of civil partnerships or same-sex marriages to be equal to those provided to widows of male members.
- Introducing a general power for MHCLG to issue statutory guidance.
- Correcting the unintended error in the LGPS (Amendment) 2018 Regulations to provide that deferred members who left under the 1995 Regulations are able to take payment of their LGPS pension without the need for their former employer's consent from age 55, with the appropriate reduction for early payment.

The consultation closes at 11:45pm on 29 November 2018 and officers aim to respond. Any introduction of new or revised legislation brings with it additional administration and communication work for the team.

10. Consultation on options for separation of host authority and pension fund

- 10.1 In 2015, the LGPS Scheme Advisory Board (SAB) commissioned KPMG to undertake a project to examine the issues and challenges of separating the pension's functions of LGPS administering authorities from the host authority. As part of SAB's 2018/19 work programme, a further project was established to see how the recommendations that emerged from the exercise undertaken in 2015 could be made to work in practice. In August 2018, SAB invited interested parties to assist in developing options for change. Three bids were received before the closing date of 21 September and these are currently being considered by the LGA secretariat and the SAB. Updates on this consultation will be shared with members once received.

- 10.2 Members may wish to note a comment provided in the SAB paper:

'It is to be emphasised that the project is in no way a criticism of the excellent work undertaken by both elected members and officers in managing the scheme. In particular the Board recognises the non-political, 'pension fund first' approach taken by elected members on pension committees and the professionalism of Section 151 officers.'

Rather this project seeks to enhance the regulatory, structural and procedural support available to them.'

11. National confidence assessment

- 11.1 In August 2018, the Fund received an invitation to take part in a national survey aimed at Committee and Pension Board members to gather feedback on the confidence of the roles and responsibilities of those tasked with managing the LGPS Fund. Survey participants were asked to rank how confident they felt on 8 topics within the assessment.
- 11.2 The findings and analysis provide insight into the all LGPS Funds in 2018. 1 member of the pensions board and 3 members of the Pensions Committee participated in the survey and the results have been shared separately with the committee and board. The results are currently being reviewed by officers with the view that the findings will feed into training provided in 2019.

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

Pensions Committee Meeting 21 September 2018 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Chart

Appendix B - MHCLG consultation document