

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. Reconciling the fund's guaranteed minimum pension liabilities (GMPs) 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 June 2019 is attached at **Appendix A**. The chart shows that tasks outstanding grew over April and May but that a lot were completed towards the end of June. This correlates to the work that was completed from year end queries with employers and the resource allocated within the team to clear tasks up to 31 March 2019. This is so that the data sent to the Actuary for the valuation is as clean as possible.

5. Help Desk Statistics

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

	February 2019	March 2019	April 2019
Telephone calls received	772	902	1016
Queries dealt with by helpdesk at first point of contact %*	88%	83%	87%
Users visiting the Website	1802	2117	1937
Member drop ins	62	83	63

* 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:

	February 2019	March 2019	April 2019
Emails Received	493	598	519
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	24.65	28.48	23.59

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 June 2019 a total of 41% active members and 33% 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. External penetration has been undertaken upon recommendation from the IT and the results of this exercise are being addressed with the system supplier.

- 6.2 The project to produce the annual benefit statements for all active and deferred members as at 31st March 2019 is underway. Deferred statements will be issued first, towards the end of July. The statement for active members will be issued in August and the project is on track to issue these to members before the statutory deadline of 31 August.

7. Mortality and member tracing service

- 7.1 As previously reported, the Fund is due to use a national Member Data framework to pull off a contractor who services will cover:
- Address Tracing and Correction Services.
 - Mortality Screening Services.
- 7.2 Companies on the framework have been analysed and compared and a provider has been procured through the direct award approach allowed by the framework procedure. It is hoped that the contract will be awarded by the end of July.

8. Valuation

- 8.1 The 2019 Valuation data has been provided to the Fund's Actuary on time before the end of June.
- 8.2 Confirmation has been received that the data arrived safely, and a few queries have been raised by the Actuary.
- 8.3 Meetings are underway to agree the underlying funding strategies required.

9. Consultations

- 9.1 Statutory guidance on asset pooling – Informal consultation opened on 3 January 2019 and closed on 28th March 2019.
- 9.1.1 The response sent by officers, agreed with the Chair and all other partners Funds in Central Pool is attached as **Appendix B**.

9.1.2 In May 2019, at the PLSA Local Authority Conference, Rishi Sunak the Minister for local government pensions announced that a formal consultation on pooling guidance would be published in the forthcoming months.

9.2 Restricting exit payments in the public sector – Published 10 April 2019 to 3 July 2019.

9.2.1 A response was sent by officers and is attached at **Appendix C**

9.2.2 Officers raised concern that, as currently drafted, there is insufficient detail about how these restrictions will interact with the LGPS and the inclusion of pension strain into the cap. Also, that without changes the restrictions will impact upon some workers who have long service but are not highly paid.

9.3 Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk – Published 8 May 2019 by the Ministry of Housing, Communities and Local Government (MHCLG).

9.3.1 The consultation covers the following areas:

- amendments to the local fund valuations from the current 3 year (triennial) to a 4-year (quadrennial) cycle
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle
- proposals for flexibility on exit payments
- proposals for further policy changes to exit credits
- proposals for changes to the employers required to offer local government pension scheme membership

9.3.2 It is felt that moving to a four-yearly valuation cycle is a backwards step for the LGPS, although the power to do interim valuations should help to ease concerns. The ability for funds to have more flexibility to manage exit arrangements for employers, to make them as affordable as possible and minimise the risk of unpaid debt is welcomed. The new exit credit regime is causing concern as some existing contractors are sitting on big surpluses– exit credits should not be applied retrospectively to any contracts that were in force prior to 14 May 2018. The Fund will be in close contact with higher education bodies if the option to close to new entrants goes ahead – the liabilities involved can be worth tens of millions of pounds. Agreeing an exit strategy in advance to address any affordability and security concerns is advisable should this area get taken forward.

9.3.3 A response will be sent from officers by the closing date of 31 July 2019.

10. CIPFA calls for fund reinforcements

10.1 CIPFA recently issued an open letter to all LGPS Administering Authority CFOs and all those involved in the governance and administration of the Scheme in England, Wales, Scotland and Northern Ireland. In quite a wide-ranging letter, the Chair of the CIPFA Pension Panel stressed the importance that funds have the necessary resources to meet the various challenges including creating asset pools, the increasing administrative requirements, and he warned about the increasing level of scrutiny from the likes of the Regulator and the national press. He also noted that as part of the new guidance for annual reports, funds would have to provide a statement on the value for money achieved by the administration function.

10.2 The letter is attached at **Appendix D**.

11 Actuarial guidance review update

11.1 MHCLG have issued a revised version of the actuarial factor spreadsheet – the updated version now includes factors for:

- annual allowance scheme pays
 - inverse commutation
 - conversion of AVCs to transfer credits
 - conversion of accumulated AVCs for added pension (pre 2014)
 - conversion of accumulated AVCs for added pension (post 2014).
- The factors take effect from 21 June 2019.

12 Scheme Advisory Board (SAB) – 2018 Annual Report

12.1 The aim of the annual report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. It aggregates information supplied in the 89 fund annual reports, as at 31 March 2018.

Key highlights:

- The total membership of the LGPS grew by 197,000 (3.4%) to 5.8m members in 2018 from 5.6m in 2017
- The total assets of the LGPS increased to £275bn (a change of 5%). These assets were invested in pooled investment vehicles (54%), public equities (29%), bonds (7%), direct property (3%), as well as other asset classes (7%)
- The local authority return on investment over 2017/2018 was 4.4%. This was reflective of the market conditions during the year and set against the UK Return of 0.2%
- The Scheme maintained a positive cash-flow position overall. Scheme income was higher than total scheme outgoings by £500m; this is including investment income
- Over 1.7m pensioners were paid over the year.

The full report can be viewed on the Scheme Advisory Board website.

13. Simplification Project

- 13.1 MHCLG have identified a need to make the Scheme regulations more adaptable, flexible and easy to administer, whilst maintaining a degree of consistency of approach across administering authorities. This project is called the 'Simplification project'.
- 13.2 The Simplification project is supported by a working group made up of representatives from trade unions, actuarial services, MHCLG, SAB, LGA and where necessary scheme employers, payroll software providers, administering authorities and software providers.
- 13.3 The terms of reference were agreed at the first meeting held on 8 May 2019. At that meeting the group also considered a couple of administrative areas that may be improved / simplified. Should these considerations proceed further, a wider consultation will occur. These were:
- (a) application of assumed pensionable pay, and
 - (b) employee and employer contributions during the 1st 30 days of an authorised absence)

14 GMP Reconciliation and Rectification

- 14.1 As almost all queries have now been received from HMT we are on to the final phase of this long running project. A project plan is now in place for the agreed GMP values to be uploaded to active and deferred members records. The team are working with ITM Ltd and Aquila Heywood, the pensions administration software provider, to test data transfers and uploads as we are one of the first authorities to utilise the Heywood product.
- 14.2 A project timetable has now also been agreed for the Pensioner rectification cases.

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

Pensions Committee Meeting 15 March 2019 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Chart

Appendix B – Statutory guidance on asset pooling – consultation response

Appendix C – Restricting exit payments in the public sector – Consultation response

Appendix D - CIPFA open letter

