

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 unnecessary financial liabilities and having its data called into question by the fund actuary. LGPS having to fully index GMPs will increase costs for the fund going forward. Further compliance with TPR code has highlighted areas where further costs could be incurred.

An additional cost to the fund to introduce a laptop replacement programme of approximately £15,000 spread over a five year period is detailed in section 4.3 below.

4. Performance and Team Update

4.1 The team's output and performance level to August 2019 is attached at **Appendix A**. The chart shows that processes outstanding has risen during the months of July and August. This is representative to the work that the team have undertaken during the Summer with the production of Annual Benefit Statements and the work towards Valuation. There has also been work on other projects such as GMP reconciliation and rectification which are not represented on the chart. Many staff have also taken annual leave during this time.

4.2 Three members of staff went on Maternity leave in Spring and early Summer, and another staff member left the team as he gained employment elsewhere. This resulted in a number of replacements being sought. All positions have now successfully been filled and new staff are undergoing training. This is also contributory to the rising number of outstanding tasks during the Summer.

4.3 Equipment Replacement

The pension team have historically been working with either a laptop or a desk top computer. Earlier in the year, due to mobile and agile working being adopted across the Council, desk top machines were replaced with laptops.

Staff who already had a laptop for a number of years are experiencing many issues due to them becoming out of date. The lap tops take a long time to come up to speed when switching on, programs freeze and they are generally running very slow.

It is the responsibility of the Fund rather than the Council to ensure the Pension Team have the correct equipment to undertake Fund work. To this end, an inventory has been put together for the Administration team. All current laptops are listed showing the date the laptop was built and the date it might need to be replaced.

The cost for the first replacements required for this Financial year is £4,660 and over the next four years is estimated to be £10,540 in total. A replacement programme of approximately £15,000, spread over a five year period, will therefore be put in place for future replacement.

4.4 Server Move – the Pensions Administration system Altair is hosted on an internal server. This is currently running on Windows 2012 version. The software provider, Aquila Heywood will no longer be supporting this version following a system upgrade that this due in the first quarter of 2020. This means that a move to Windows 2016 or Windows 2019

is required before then. It is still to be established which version and a cost for this move is still to be obtained and reported at a later date.

5. Helpdesk Statistics

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

	May 2019	June 2019	July 2019
Telephone calls received	1025	734	780
Queries dealt with by helpdesk at first point of contact %*	87.7%	77.38%	87.31%
Users visiting the Website	2,268	1,753	1,830
Member drop ins	56	48	67

* 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:

	May 2019	June 2019	July 2019
Emails Received	672	342	484
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	29.22	17.1	21.04

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. Retired members and individuals receiving a survivors' pension also access their payslips via 'My Pension Online'. As at August 2019 a total of 41% active members, 34% of deferred members and 21% of retired/survivor members were registered to view their pension records.

6.2 The annual meeting is due to take place on 28 November 2019. This meeting has been advertised to all scheme members and employers via email. It has also been featured in the latest edition of the InTouch

magazine for retired members. Email updates with the meeting agenda will be circulated closer to the date.

- 6.3** An employers' meeting is also planned for 15 November 2019. Employers have been invited to the meeting and strongly encouraged to attend as the meeting will include an update from the Actuary on the 2019 Actuarial Valuation which will also include new employer contribution rates to be in place from 1 April 2020.

7. Cyber security

- 7.1** The Data Protection Act 2018, along with guidance from The Pensions Regulator, sets out rules that pension funds must follow to make sure they have good cyber security. Shropshire County Pension Fund takes data security very seriously and works closely with Shropshire Council's IT team and any companies providing pensions software to confirm that the systems holding personal data are protected.

- 7.2** Over the last quarter, Shropshire Council have confirmed that the following number of cyber-attacks have been stopped:

May 2019	June 2019
31,780,909	31,484,904

- 7.3** Over June and July 2019, the pensions team have undertaken data protection training and cyber security training through Shropshire Council's Leap into Learning portal.

8. Mortality and member tracing service

- 8.1** At the previous Pension Committee meeting on 27 July 2019, it was reported that fund would procure a contractor to cover address tracing and mortality screening.
- 8.2** A contract commenced 1 August 2019. Member data has been supplied for all deferred, pensioner and frozen refund members, to ensure that the data the Fund holds is accurate as possible. A monthly report will be provided, to the Fund, of any deaths within its membership. This is based on screening against national mortality data bases. Monthly screening will minimise any potential overpayment following an unnotified pensioner members' death. Member address verification is also now in place and officers are currently working through the initial results reports.

9 GMP Reconciliation/Rectification Update

- 9.1** The Fund has follow HM Treasury guidance which allows LGPS funds to accept their administration GMP for pensioners whose GMP is in payment and has been found to differ from HMRC's figure by £2 per week or less.

- 9.2 For rectification purposes a 'trivial threshold' of £12 pa was used. Members impacted by the triviality threshold will however have their GMP/excess split corrected so that future increases are corrected.
- 9.3 The number of pensioner members who require rectification are 201 pensioners and 43 dependants. The rectification of the pension benefits will take place in January 2020.
- 9.4 A letter will be sent to those affected in January 2020. Communications will be tailored depending on whether there has been an underpayment or overpayment. Those pensioners underpaid will receive arrears. Those pensioners who have been overpaid, no overpayment will be recovered but the pension will be corrected going forward.

10. Data Collection for Gad Section 13 Review

- 10.1 The Government Actuary Department's (GAD) data collection requirements are now finalised and include some additional items from those requested 3 years ago. Confirmation of the spreadsheets that need completing are expected shortly. Information will also need to be requested from the Fund's Actuary.
- 10.2 The deadline for providing the information (including the Funding position on the standardised Section 13 basis) is not until 30 April 2020. Membership data is also to be requested by GAD directly.

11. Proposed transfer of Additional Voluntary Contribution (AVC) policies from Equitable Life Assurance to Utmost Life & Pensions

- 11.1 It is a regulatory requirement that each Fund appoints an Additional Voluntary Contribution (AVC) provider. The Fund currently uses Prudential and Equitable Life. Equitable Life is closed to new business but continues to manage 24 existing AVC policies within the Fund. These members hold AVC investments in either unit-linked and with-profit Funds.
- 11.2 On 15 June 2018, Equitable Life announced that it proposed to transfer the Society and all its policies to Reliance Life (now known as Utmost Life and Pensions), and to convert all With Profits policies to Unit Linked investments (removing any investment guarantees), but providing a one-off uplift of approximately 60%-70%. As the overall policyholder, the Fund has been asked to vote on agreeing these proposals. The deadline for postal and online votes is 10am on 30 October 2019.
- 11.3 The Local Government Association (LGA) has recently obtained a legal opinion on considerations for LGPS administering authorities (AA) when voting on the proposals. The opinion be viewed on the legal opinions page of www.lgpsregs.org

The opinion confirms that:

- an AA is entitled to vote
- the AA has a duty to secure that the value of additional benefits from AVCs is 'reasonable' having regard to the amount of the voluntary contributions and the value of other scheme benefits
- it is for AAs to determine how they exercise their votes; they cannot and must not abdicate their responsibility in this regard
- AA must not allow themselves to be dictated to by Scheme members
- AAs will not generally be liable if they act reasonably.

11.4 To assist with the determination and taking into consideration the legal opinion sought by the LGA, the Fund is reviewing the proposals and taking advice from the Fund Actuary, in particular on the effect of the changes proposals to the With Profits policies of individual members, before it considering how to vote. In total, 12 members have With Profits policies within the Fund however, all 24 members will receive a letter explaining the proposals.

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

Pensions Committee Meeting 24 July 2019 Pensions Administration Report
Pensions Committee Meeting 22nd September 2017 Pensions Administration Report.

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Chart