



<u>Committee and date</u> Pensions Committee
24 January 2020
10.00am

<u>Item</u>
9
<u>Public</u>

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
- 2.2 To approve, with or without comment the amended Pensions Administration Strategy, **Appendix B**.

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

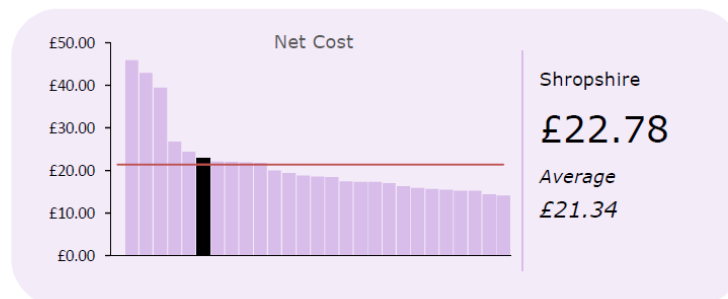
4.1 The team's output and performance level to November 2019 is attached at **Appendix A**. The chart shows that tasks outstanding rose during the quarter, some of these will not yet be due for processing. However, the amount processed also started to rise compared to the quarter before. During this quarter the team will have been processing work following the busy Summer period where people took leave and Annual Benefit Statements and Pension Saving Statements were the highest priority. There is also a larger turnover of members during September. Especially in schools and academies where a large number of staff leave at end of summer term and new staff start at the beginning of the school year. This data will have been submitted by employers in October. The chart shows either single standalone tasks or tasks that are part of a case. Cases are a complete process that hold steps (tasks) for a procedure to be completed.

4.2 Benchmarking 2018/19

4.3 The Pensions Administration Benchmarking Club has been in operation for some time and compares the cost of Pension Administration with other Pension Funds nationally. Shropshire Pension Fund took part in the 2019 Club.

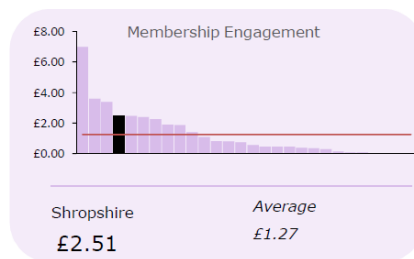
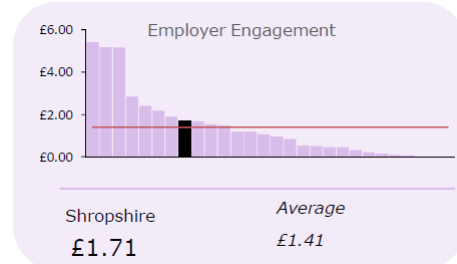
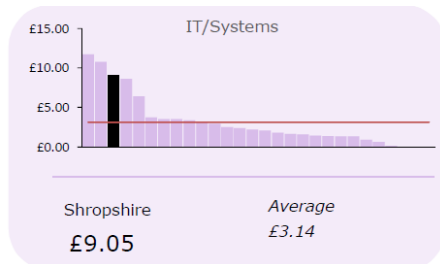
4.4 This table shows the administration cost per member where you will see that Shropshire is just above the national average.

ADMIN COST PER MEMBER 2018/19

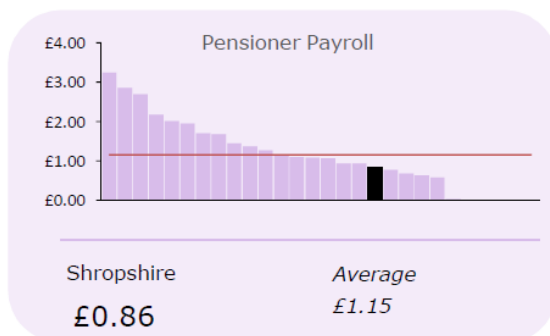
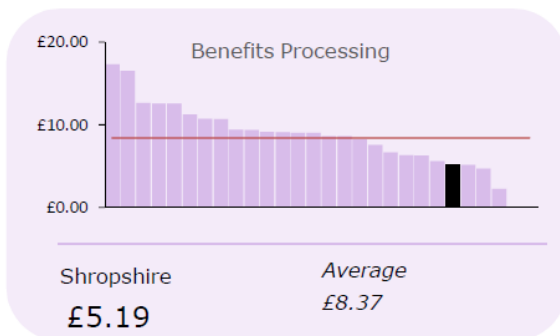


4.5 The next 3 charts show the areas of spending that are above the national average. There is a significant higher spend on IT systems at £9.05 per member compared to £3.14 for the national average. In 2018 the Pension Fund contracted for a payroll module that is integrated into the main Administration System, Altair. The implementation costs are therefore included in this year but will not be incurred annually going forward. This project was reported to Committee in 2018. The other areas of higher cost than the national

average is in respect of employer engagement and member engagement. This is indicative of the work the Fund is striving to do in working with employers to obtain good quality data in order to provide an excellent service and accurate benefits to our scheme members. This also meets the priorities from the TPR code of practice.



4.6 The following charts, however, show the areas where we are lower than the national average for pensioner payroll and benefits processing.



5. Help Desk Statistics

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

	August 2019	September 2019	October 2019
Telephone calls received	687	712	884
Queries dealt with by helpdesk at first point of contact %*	90.10%	91.15%	91.52%

Users visiting the Website	1,756	2,133	2,043
Member drop ins	59	47	69

* 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 2019	September 2019	October 2019
Emails Received	600	632	609
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	27.27	30.10	26.48

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 October 2019 a total of 42% active members and 34% of deferred members and 23% of retired/survivor members were registered to view their records on 'My Pension Online'.
- 6.2 The 2019 employers meeting took place on 15 November 2019. This meeting primarily focused on the early results of the 2019 valuation with presentations from the Fund Actuary, Mercer. An update was provided by Debbie Sharp on the latest news affecting administration. Initial valuation results were provided to the employers in attendance.
- 6.3 The 2019 annual meeting took place on 28th November 2019. 97 members signed up to attend in advance of the meeting. Turnout on the day was excellent with the Council Chamber almost filled to capacity. Presentations covered: pensions administration update, investment performance, actuarial valuation update, LGPS Central investment update and responsible investments. A survey was given out at the meeting and the results showed that:
- 72% of respondents rated the annual meeting as very good, 7% as good and 21% as average.
 - 84% of respondents agreed that they understood more about the LGPS after attending the meeting.

- Legal and General’s presentation on responsible investments was voted the most interesting of the day’s presentations.
- 93% of respondents who attended the meeting said they would attend future meetings.
- When asked how the meeting could be improved, audibility was the most frequently mentioned issue in the feedback.

6.4 An employers’ webinar is planned for 22 January 2020. Employers have been invited via email and in person at the employers meeting on 15 November 2019.

7. Employer performance

7.1 In line with the Shropshire County Pension Fund administration strategy, employers must pay their contributions by the 19th of the month. Accompanying data must also be submitted via i-Connect by this date. The table below shows the percentage of employers who have met the deadline over the three months to November 2019. This table also includes information about employers who make monthly deficit payments. Further information about employers who did not meet these deadlines is covered in the governance report.

	September 2019	October 2019	November 2019
i-Connect data	93.53%	97.12%	95.65%
Monthly contributions	97.12%	97.12%	94.2%
Monthly deficit	90.32%	92.06%	88.89%

8. Cyber security

8.1 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.

8.2 Over August and September 2019, Shropshire Council have confirmed that 66,510,540 cyber-attacks have been stopped. 196,462,819 cyber-attacks were blocked over October to December 2019.

9. Mortality and member tracing service

9.1 At the previous Pension Committee meeting on 4 October 2019, it was reported that fund had procured a contractor to undertake address tracing and mortality screening. The contract began on 1 August 2019.

9.2 Monthly mortality screening is now in place. This minimises risks to the Fund of potential overpayment of benefits following any deaths within the pensioner membership and identifies any deaths within the

deferred or frozen refund membership. Thus, ensuring good record maintenance.

- 9.3 Member address verification results have identified the member addresses the Fund holds which appear to be correct, suggesting the member still is 'living as stated' at the address the Fund holds. Any members not verified as 'living as stated' are being investigated with the hope that a new address will be provided. Any new addresses found will not be used until the address has been verified by the scheme member.

10. GMP Reconciliation/Rectification Update

- 10.1 As part of the ongoing GMP reconciliation project, 201 pensioners and 43 dependants have been identified as needing their benefits rectifying. Members who have been underpaid will receive arrears, but any members who have been overpaid will not be asked to repay the overpayment. Although, their pension benefits will be corrected going forward.

- 10.2 At the October committee meeting, it was mentioned that rectification of benefits was scheduled to take place in January 2020, with a letter sent to those affected. However, HMRC announced they are due to release a final list of the GMP's they hold against all Fund's. It was decided that rectification would have to be delayed by 2 months to ensure the Fund was checking against the latest HMRC data.

11. Proposed transfer of additional voluntary contributions (AVCs) from Equitable Life Assurance to Utmost Life & Pensions.

- 11.1 Equitable Life announced on 15 June 2019 that they intended to transfer the society and its policies to 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. The fund was asked to vote on these proposals. The deadline for postal and online votes was 30 October 2019 and the Fund, as the policyholder, after obtaining advice from the Actuary, voted in favour of the closure proposal as it was deemed in members' best interests.
- 11.2 Policy holders voted overwhelmingly in favour of the proposed changes and high Court hearings on 22 and 25 November 2019 gave the approval to transfer the business of Equitable Life to Utmost Life and Pensions on 1 January 2020. The Fund has 12 members with a 'with profits' AVC and investment choice options (for members to invest outside of the default options) were provided in December 2019 before the transfer took place, 3 responses were received. It is expected the next communication to policyholders will be from Utmost Life and Pensions to confirm the exact amount of 'uplift', investment choice and that the transfer has taken place.

12. Data collection for Gad Section 13 Review

- 12.1 The Government Actuary Department's (GAD) data collection requirements have been finalised and the deadline for providing the information (including the funding position on the standardised Section 13 basis) is 30 April 2020.

13. Amendment to Pension Administration Strategy

- 13.1 Officers have made two minor amendments to the Pensions Administration Strategy Statement to better reflect the process of issuing invoices, for early retirement strain costs, to employers. As invoices are not sent out monthly it is no longer practical to not pay benefits until the invoice is cleared. Instead Employers will be made aware of the sum due to be invoiced and given notice that the benefits will be paid.
- 13.2 The statement outlines the policies and responsibilities of both the Fund and employers in meeting the regulatory requirements to provide a high-quality pensions administration service.
- 13.3 The amendments to the statement can be found on pages 14 and 15 of **Appendix B**

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

Pensions Committee Meeting 4 October 2019 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Chart

Appendix B – Administration Strategy