



Committee and date
Pensions Committee

24 July 2020

10.00am

Item

Public

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.

3.5 **Climate change appraisal**

1. Energy and fuel consumption: No effect
2. Renewable energy generation: No effect
3. Carbon offsetting or mitigation: No effect
4. Climate Change adaptation: No effect

4. **Performance and Team Update**

4.1 The team's output and performance level to June 2020 is attached at **Appendix A**. These are 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 The chart shows that outstanding tasks and cases rose in the early part of the quarter but then started to come down. The number of processes completed has increased. It's interesting to see that since last reporting in March the team has been fully working from home and this has not affected the team's processing performance. It should be noted that during this time a lot of work has been undertaken across the team that is not reflected in this chart. This includes the annual Pensions Increase, monthly payroll processing, year-end reconciliations, data cleansing to name a few and work on Annual Allowance calculations has commenced. The team have also commenced the annual project to calculate and produce this year's annual benefit statement.

4.3 A large piece of work currently is data cleansing following the month 12 submissions from all Fund Employers. This checks that records hold contributions and pay for all active members and approximately 1300 queries have had to be sent back to employers. These records once checked must be subsequently updated manually if it is found that the incorrect pay or contributions were submitted. A sense check is then undertaken across all records to ensure that the pay submitted looks reasonable against the previous years. To writing this report 2000 individual records had been checked.

4.4 As well as internal checks to ensure records are accurate to produce annual benefit statements, an annual check of data quality, in line with The Pension Regulators Guidance and the scheme specific data agreed by the Scheme Advisor Board, is undertaken by our software provider. They take our data and apply many tests across it, this runs into the millions, which provides a score for the Pensions Regulator's Annual Statutory Return.

- 4.5 In 2019 GAD did a dry run for the 2020 Cost Cap valuation they will undertake. The Fund provided them with full membership data. GAD provided feedback to all Funds on the data provided. They identified areas where they thought an improvement could be made. For the 2020 cost cap valuation of the E&W LGPS (assessed as at 31 March 2020) all LGPS funds will need to submit membership data to GAD in Autumn 2020 as part of this valuation.

5. Help Desk Statistics

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

	February 2020	March 2020	April 2020
Telephone calls received	740	641	533
Queries dealt with by helpdesk at first point of contact %*	89.72%	92.67%	89%
Users visiting the Website	2,104	1,925	1,906
Member drop ins	68	43**	0**

* 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.

**Drop ins suspended due to Covid-19 procedures from 23.03.2020.

- 5.2 The Helpdesk also responds to emails daily. The following table shows the number of enquiries:

	February 2020	March 2020	April 2020
Emails Received	616	510	744
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	30.8	23.18	33.82

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 available to view on 'My Pension Online', unless a member has requested a paper copy. As at 30 June 2020 a total of 44% active

members, 36% of deferred members and 29% of pensioner members were registered to view their records on 'My Pension Online'.

- 6.2 Communication to scheme members and employers has continued throughout the coronavirus pandemic. The team have kept scheme members up to date using email alerts, information posted to a dedicated Covid-19 page on the fund website and by inserting a leaflet with all outgoing mail. Information has also been shared which has been published by the Local Government Association (LGA) for LGPS members found here: https://www.lgpsmember.org/news/story/covid_19_member_qanda.php Scheme member updates have covered changes to the service provision resulting from the team working from their homes, but also covered a warning about a rise in pension scams during Covid-19 and the impact of transferring on the LGPS benefits.
- 6.3 Employers have received monthly updates on the impact of the coronavirus pandemic on the LGPS and the team's systems and processes. Employers were told to contact the team if they were unable to undertake any of their responsibilities as an LGPS employer during this time. To date, no employers have contacted the team. A request has also been made to employers to inform the fund if they have or are intending to furlough scheme members, so a record can be kept.
- 6.4 In line with The Pension Regulator's national guidance for pension administrators the team have been limiting any non-critical work and prioritising case work such as making payments, dealing with new retirements/deaths and keeping members safe from scams.
- 6.5 This priority work still requires an incoming and outgoing post function. The team have managed this by 2 members of the team visiting the Shirehall twice a week, since lockdown restrictions began. The time spent during these visits has ensured all incoming valuable post (such as certificates and cheques) are dealt with and any printed outgoing letters are continued to be issued within the statutory time limits, but a more permanent solution is being looked into as manual bulk packing carries risks of data being received by the wrong person.
- 6.6 The team are issuing letters etc electronically via the Pensions Administration System, but this isn't suitable for all members/organisations and to adhere to statutory requirements to make the information available to all. Many team practices have been adapted, including utilising internal Shropshire Council services to scanning incoming mail, asking other organisations to email rather than use the post and requesting members to return forms electronically and provide photocopies of certificates when possible. A permanent solution is being investigated to deal with outgoing post via an automated printing and postage service.

Processes are being put into place going forward, to only accept photocopies of member identification documents which are required to verify personal details and stop fraud.

- 6.7 HMRC require an end of year P60 notification, this was sent to home addresses before the statutory deadline. The retired members' newsletter 'InTouch' was also provided. This included a Coronavirus update. Pensioner Members were asked to provide feedback on moving to an electronic P60 issued via 'My Pension Online' (unless a paper copy was requested). This feedback is currently being collated and will be shared with members at the next committee meeting.
- 6.8 Work is underway to produce this year's Annual Benefit Statements for active and deferred members by 31 August and comply with HMRC legislation by checking on all members pension growth against the annual allowance. As with previous years, the team have been leading the project to collaboratively produce newsletters to accompany the statements. 13 other funds have participated in producing the newsletter for deferred members and 12 other funds for active members. Both newsletters have reviewed by Plain English and received the crystal mark, the seal of approval for the clarity of a document.

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 this quarter. This table also includes information about employers who make monthly deficit payments. Information about employers who did not meet these deadlines is covered in the governance report.
- 7.2 The table shows that the rate for submitting data on time dropped slightly in April and May 2020 although the payments of the main contributions continued at a steady rate. Some employers did experience issues working from home due to the Covid-19 lockdown. It is also interesting to note that late payment of deficit sums due increased March and April and again this was due to Covid-19. Some employers, such as Academy schools, make a direct payment it does not come from their payroll providers. Following the 2019 Valuation the deficit payments due changed from April 2020 for all employers together with their Employer monthly contribution rate and this caused problems for some employers due to having to change the direct payments with their bank.

	March 2020	April 2020	May 2020
i-Connect data	93.66%	90.71%	90.78%
Monthly contributions	93.71%	93.53%	92.81%
Monthly deficit	88.24%	87.88%	95.45%

- 7.3 A check was undertaken in May 2020 to ensure that all employers had applied their new employer contribution rate following the 2019 Valuation. Unfortunately, 45 employers continued to pay either an incorrect % from salaries or an incorrect lump sum deficit payment in April 2020. A further 6 employers also paid incorrectly in May.

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 Shropshire Council's IT security officer has confirmed that should any attacks become apparent on any of the Pensions Systems then we would be immediately made aware. To date no attacks to the Pensions administration Teams' systems have been reported. There is no update to the Council's statistics available since the last report to committee.
- 8.3 Over the last quarter, the pensions team have refreshed their Data Protection Training and Cyber Security Training through Shropshire Council's Leap into Learning portal. These are both mandatory to complete on an annual basis.

9. Virtual Server move

- 9.1 The Pensions Administration system Altair currently runs off a Windows 2012 virtual server and uses an Oracle database. As Windows 2012 is no longer supported a project is underway to move to a new version. It was agreed that to future proof the systems and to ensure costs are kept to a minimum, that a move to Windows 2019 instead of Windows 2016 was the best option. Our software supplier, Aquila Heywood confirmed recently that 2019 is now supported so the project is underway following the signing of a Technical Study.
- 9.2 The Council's IT team will build the Server during July and August 2020 and the Pensions Administration team will be involved in the User Acceptance Testing (UAT) during late August. Go Live should be in early September 2020.
- 9.3 External fees for this project should not exceed £17,000.

10. Address Tracing

- 10.1 Work has been undertaken with a contractor, to trace addresses for all non-active scheme members. We are aware of 'unknown address' when post has been returned and this is flagged on the member's record.
- 10.2 Several checks across all member addresses have been undertaken. This includes looking at various activity taking place at that address under the surname we hold plus checking various data bases. When confident that the person is "living as stated" then no further checks are needed.
- 10.3 When further checks or clarification is required. This involves letters going to scheme members telling them this is the address that will be used going forward, in some cases a confirmation call from the person was required.
- 10.4 Work continues as a full trace was required for 23 records, particularly for those with a pension in payment. Pensions are suspended, to reduce overpayments, when post has been returned or the member had not responded when writing to them.
- 10.5 12 new addresses have been found. There were 4 cases confirmed that the address held currently was correct and the remaining 7 have not been traced. With these cases a communication has been sent to a possible family member and should this person respond in the affirmative an update will be given.

11. Mortality Checking

- 11.1 The fund undertakes mortality screening on a monthly basis to help keep member records up to date and reduce overpayments. From the start of the contract on 1 August 2019 up until 30 June 2020 there have been 63 deaths identified within the membership which the Fund were not aware of:
- 31 pensioners/survivors' records
 - 4 deferred record
 - 28 frozen refund records
- 11.2 Due to the Covid-19 pandemic the Fund have monitored the number of death cases over the last 6 months, compared to that of the previous 2 years. This data is based on date of death not the date of notification. We are not always notified timely of a death, one of the reasons the monthly mortality service was undertaken. The statistics show only a slight rise in the overall number across the first six months of 2020:

Total Deaths	January	February	March	April	May	June
2020	40	36	42	42	36	21
2019	29	25	25	43	46	33
2018	38	37	37	31	29	38

- 11.3 The Scheme Advisory Board (SAB) have asked the Local Government Association (LGA) to collate death data from each administrating authority, to help understand the impact of the Covid-19 pandemic on the LGPS.
- 11.4 The purpose of collecting the data is to identify trends in the number of deaths. The expectation is that the data will show an initial upward curve that is now flattening. By continuing to collect this data in the coming months it will help identify indications of a second wave, as well as any increases in demand on resources and regional variations.
- 11.5 The data being requested is the total number of notifications of deaths of pension members each calendar month, rather than the number of actual deaths in each calendar month.
- 11.6 The total number of notifications of deaths of pensioner members in the Shropshire Fund, which have been provided to the LGA are;

	February	March	April	May	June
Total number of death on pension cases	48	36	43	42	49

12. GMP Reconciliation/Rectification Update

- 12.1 At the previous committee meeting on 19 March 2020, we reported that we were unable to write out to members affected by the rectification exercise, due to delays in receiving information from HMRC. The delay was communicated to members via an email update and posted on the website. An article on this matter was also in the Spring 2020 edition of InTouch magazine, issued May 2020.
- 12.2 The final data cut, which the Fund required from HMRC, has recently been received. Work has been started on the revised data to ensure the correct GMP rectification will take place. Once this has been undertaken, revised timescales will be provided for the date for the rectification of benefits. This project has to now be fitted around the projects running to statutory timescales over the summer and the server move.

13. Regulation Update

- **Exit Credits**

13.1 In March 2020, the exit credit regime in England & Wales was amended to give administering authorities the discretion to determine the final exit credit considering the size of the surplus, the part of the surplus arising from employer contributions, information from the ceding employer and any connected employer and 'any other relevant information'. There is a material level of ambiguity in respect of these items which presents the Fund with challenges, as to how they are considered and applied. Any disputes are to be routed through the Regulations Internal Dispute procedures. We are currently waiting for further guidance of how the Fund can demonstrate the requirements of the Regulations have been applied before updating policies.

- **Preparing for McCloud Remedy**

13.2 The Court of Appeal has ruled (McCloud and Sargeant) that the Government's 2015 public sector pension reforms unlawfully treated existing public sector employees differently based upon members' ages on the 1 April 2012. This was accepted that this affected the LGPS too.

13.3 It is expected that a consultation on the McCloud LGPS remedy will be issued before Parliament's summer recess (21 July).

13.4 You will recall, in the LGPS, active members who were within 10 years of their normal pension age on 31 March 2012 were protected via a statutory underpin. Those who meet the criteria for the underpin receive the better of their CARE pension or one calculated under 2008 scheme rules (2009 for Scotland), for any service up to 31 March 2022.

13.5 The protections granted to a relatively small tranche of members back in 2014/15 are now to be broadened. Data will need to be collected from employers going back to 2014/15. Challenges arising from the administration, communications and project management of the process are likely to be significant. This work will also not be able to be undertaken within the current Team resource.

13.6 Due to the fundamental differences between CARE and final salary schemes, the record keeping requirements are not the same. To enable the underpin calculation to be performed, both sets of data requirements apply. Having to retrospectively collect data back to 2014 for members is a daunting task for employers and the Fund.

13.7 The remedy is yet to be determined but it is safe to assume there will need to be a process of identification, record adjustment, recalculation, comparison, payment adjustment, arrears calculation and payment, possibly with interest.

- 13.8 The Fund has raised this with all Scheme Employers and is already working on identifying whether missing data can be identified easily or not.
- 13.9 An approximate allowance for the funding impact of McCloud was considered at the 2019 Fund valuation. Depending on the actual nature and cost of any remedy, the Fund will need to consider if adjustments to employer contribution rates are required before the next round of funding valuations
- 13.10 The interaction between McCloud and the national cost management process will also need to be resolved. Whether the cost management process considers any remedies as a result of McCloud will depend on the outcome of the current legal challenge recently lodged by some trade unions.

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

Pensions Committee Meeting 19 March 2020 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Chart