

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 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 October 2020 is attached at **Appendix A**. The chart indicates 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. You will see that this chart shows that tasks rose during this quarter. This includes the month of September, which historically has always seen an increase in data being received from employers. School based staff tend to have changes to contracts from the start of the school year and new support staff have tended to commence their employment. Please note that the number of processes completed rose, including those in target, which is very encouraging and was a result of directing staffing resource to this area.

4.2 A staff vacancy has recently arisen within the team due to a maternity cover post being filled by an internal secondment. The team have successfully advertised externally to fill this vacancy, on a temporary fixed term contract, due to commence 16th November.

5. Help Desk Statistics

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

	August 2020	September 2020	October 2020
Telephone calls received	712	807	817
Queries dealt with by helpdesk at first point of contact %	76.97%	73.36%	68.05%*
Users visiting the Website	2,228	2,048	2,073
Member drop ins**	0	0	0

* During October 2020 the team attended 2x training sessions which affected the % of calls answered due to the automatic answering service having to be used.

** Drop ins suspended due to Covid-19 procedures from 23 March 2020.

5.2 The Helpdesk also responded to the following number of emails;

	August 2020	September 2020	October 2020
Emails Received	830	823	769
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	39.52	37.41	34.95

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 2020 a total of 45% active members, 30% of pensioner members and 37% of deferred members were registered to view their records on 'My Pension Online'.
- 6.2 The employers' meeting took place on 21/10/2020, it was held virtually, using Microsoft Teams. 46 employers registered to attend. Presentations on the day covered the McCloud age equality court ruling, the Exit Payment Cap, the Exit Payment reform consultation and an overview of the 2019/20 year-end exercise.
- 6.3 During the last quarter, both scheme members and employers have been kept up to date on the latest news, around the Exit Payment Cap and the consultation on further Exit Payment Reforms in both website news posts and bulletin emails. In total, 12 email bulletins have been issued.
- 6.4 A pensions tax information webinar was held on Friday 9 October 2020 organised with the fund's Actuary Mercer. Feedback provided by scheme members during, and following the webinar, was positive. Attendees reported that since the webinar they are more aware of the issues relating to pensions and tax and reporting requirements to HMRC. 14 scheme members then attended a one to one guidance session with a representative from Mercers.

- 6.5 The biannual newsletter to retired members was issued in November. The Autumn 2020 edition provided an update on the GMP reconciliation project, kept members informed on the fund's working arrangements due to covid-19, responsible investment and the move to electronic P60's from April 2021.
- 6.6 In advance of the potential move to online P60s, in April 2020, the fund asked retired members for feedback on the removal of automatic paper P60s being issued and how this would affect them. Feedback largely suggested that members agreed with the reduction in the fund's environmental footprint by reducing the amount of printing and postage and that members are used to accessing information in this way via My Pension Online. Some members expressed a preference to continue to receive a paper copy of the P60 document. In total only 106 members out of nearly 12,000 asked for a paper copy to continue to be sent. The fund will still issue paper P60s to these members and understands the importance of sending information occasionally by post and the value it has in keeping in touch with our members.
- 6.7 Unfortunately, the annual meeting for 2020 will not be taking place this year. The situation around the Covid-19 pandemic has meant large face-to-face gatherings are against current government guidance. This is the first time in the 27-year history of the annual meeting, that the meeting has had to be cancelled. Information normally provided at the annual meeting will be shared on the Fund's website.

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 below table 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.

	August 2020	September 2020	October 2020
i-Connect data	95%	93%	91%
Monthly contributions	95%	97%	96%
Monthly deficit	97%	89%	95%

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.

9. Server Move

- 9.1 The pensions administration system Altair, is hosted internally by Shropshire Council IT. It was running on a Windows 2012 server and uses an Oracle database. The Fund were given notice in 2019 that both versions of the sever and database would no longer be supported by the end of 2020 and therefore needed to be upgraded to the latest versions of both. A project was initiated in June 2020 with the software provider, Aquila Heywood, Shropshire IT and Pensions Administration.
- 9.2 The team worked with all parties to ensure that the system was migrated to a Windows 2019 server and the Oracle database was upgraded to the latest version to ensure PCN compliance for the Council.
- 9.3 The project included a period of user acceptance testing (UAT) for the team during August and early September and the new Servers successfully went live on 10 September 2020.

10. GAD data collection 2020

- 10.1 The Government Actuaries Department are to carry out the 2020 cost cap assessment in line with the current timetable set by HM Treasury Valuation Directions and the corresponding Scheme Advisory Board's scheme cost assessment. To do this, they are required to collect data from funds.
- 10.2 The request was received on 30 September and the submission date is by 23 November 2020. The team are required to send a full Universal Data Extract as at 31 March 2020 together with a completed questionnaire on any issues or explanations required around the data.

11. MHCLG – Consultation - McCloud – statutory underpin.

- 11.1 On 16 July 2020 MHCLG published its consultation introducing amendments to the statutory underpin for the Local Government Pension Scheme (LGPS) in England and Wales. The proposals, reported to Committee in September 2020, were designed to remedy the unlawful discrimination caused by the protection of older members when the scheme was reformed in April 2014.
- 11.2 The consultation closed on 8th October 2020.

- 11.3 An Officer response was sent and approved by the Chair on behalf of the Pension Committee and is attached at **Appendix B**.
- 11.4 The Fund's employers have had training on what this could mean to them if they have not continued to send the Fund data on hours changes and membership breaks.

12 Revised GAD Guidance

- 12.1 The Government Actuary Department (GAD) have revised their guidance and factors on the following;
- Application of a pension debit for divorced members – Transfer date from 1 April 2014
 - Application of a pension debit for divorced members – Transfer date before 1 April 2014
 - Pension sharing following divorce
 - Individual incoming & outgoing transfers
 - Trivial commutation.
- 12.2 To accompany the revised guidance, MHCLG issued a new version of the factor spreadsheet. The revised guidance and spreadsheet came into force on 1 November 2020. There were transitional arrangements which affected how the Fund communicated the changes to members transferring benefits in or out of the Scheme.

13 Public Sector Exit Payment Cap

- 13.1 The Restriction of Public Sector Exit Payments Regulations 2020 ('the exit cap regulations') were signed on 14 October 2020, a correction slip was published on 27 October 2020 and the regulations came into force on 4 November 2020.
- 13.2 There is a conflict between the exit cap regulations and the LGPS regulations when a scheme member aged 55 or over is made redundant and the total exit payment exceeds £95,000. The LGPS regulations require the member to take payment of an unreduced pension, but the exit cap regulations prevent the employer from paying the full strain cost.
- 13.3 In respect of exits that occur between 4 November 2020 and the date the LGPS regulations are amended:
- only exits from employers in scope of the cap will be affected. You can find a full list of employers in scope of the cap in the Schedule to the Restriction of Public Sector Exit Payment Regulations 2020
 - only exits where the cost exceeds £95,000 will be affected
 - the proposed standard strain cost calculation will not apply. Local methods of calculating strain costs should continue

- proposals in the MHCLG consultation (point 14 below) to limit discretionary compensation payments and reduce strain cost by the value of statutory redundancy pay will not apply

13.4 On 28 October 2020 Luke Hall MP wrote to Chief Executives of Councils and LGPS administering authorities concerning the implementation of the exit payment cap. Attached at **Appendix C**. The Minister's recommended course of action in cases where the cost of an exit including pension strain cost would exceed the £95,000 cap is that: *"LGPS members in that position should be able to elect to receive an immediate but fully reduced pension or, if they do not so elect, a deferred pension plus a lump sum equal to the capped strain cost."*

13.5 The SAB obtained legal advice on the conflict between the LGPS regulations and the exit cap regulations. A commentary of that legal advice was published on 30 October 2020 on the Public Sector Exit Payments page of www.lgpsboard.org. The commentary sets out the SAB's opinion on the course of action that presents the lowest risk when the cap is breached in respect of an LGPS member aged 55 or over. In SAB's view, the risks are lowest if:

- the LGPS administering authority offers the member a choice between deferred benefits or a fully reduced pension
- the LGPS employer delays payment of a cash alternative under regulation 8 of The Restriction of Public Sector Exit Payments Regulations 2020.

13.6 This approach would allow the maximum flexibility for the administering authority and employer to minimise the financial risks associated with a legal challenge from the scheme member. The Fund proposes to follow this guidance should any cases arise.

14 Consultation on the Reform of exit Payments in local Government

14.1 On 7 September 2020, MHCLG launched a consultation on changes to the LGPS and compensation regulations to introduce the £95k cap and bring the exit compensation terms for local government workers in line with the framework set out by the Government in September 2016. The consultation closed on 9 November 2020.

14.2 On 29 September 2020, MHCLG issued draft strain cost guidance and an impact assessment to provide further clarity about the effects of the proposals. As part of the proposals, certain members aged 55 and over receiving statutory redundancy payments will lose the right to receive unreduced pensions where a pension strain is payable.

14.3 An Officer response was sent and approved by the Chair and is attached at **Appendix D**.

15 SF3 Data Published

- 15.1 On 4 November 2020, MHCLG published Local government pension scheme statistics (SF3 statistics) for England and Wales: 2019 to 2020. Highlights include:
- total expenditure of £13.4 billion, an increase of 5.6% on 2018/19
 - total income of £16.0 billion, an increase of 2.6% on 2018/19
 - employer contributions increased by 7.7% on 2018/19 to £7.7 billion
 - employee contributions of £2.3 billion
 - the market value of LGPS funds in England and Wales on 31 March 2020 was £272.4 billion, a decrease of 5.1%
 - there were 6.1 million scheme members on 31 March 2020, 2.0 million active members, 1.8 million pensioners and 2.2 million deferred members
 - there were 88,232 retirements in 2019/20, an increase of 5.7% compared with 2018/19.

16 Public service pensions GMP indexation consultation

- 16.1 On 7 October 2020, HM Treasury (HMT) published Public Service Pensions: Guaranteed Minimum Pension Indexation consultation. The consultation closes on 30th December 2020.
- 16.2 Prior to 6 April 2016, the payment of public service pensions and the earnings-related State Additional Pension (AP) worked together to provide a mechanism that fully indexed most public service pensions.
- 16.3 The introduction of the new State Pension on 6 April 2016 removed the payment of AP. This meant that members who reached State Pension age (SPA) on and after that date would not have their pension payments fully indexed. To compensate for the removal of AP, the Government introduced an interim solution on 1 March 2016, which ends on 5 April 2021. This ensured that public service pensioners who reach SPA after 5 April 2016 continued to receive a fully indexed pension from their public service pension scheme. This introduced an additional cost to the Fund.
- 16.4 The consultation sets out how the Government proposes to ensure it continues to meet its commitments to the full indexation of public service pensions, including any Guaranteed Minimum Pension (GMP) element. This is by transferring the cost permanently to the public service pension scheme in one of the following ways;
- The extension of full indexation to cover those reaching SPA up to and including 5 April 2024
 - The extension of the interim solution to cover those reaching SPA beyond 5 April 2024 (to, for example March 2030)
 - Discount conversion as a long-term policy solution and make full GMP indexation the permanent solution for public service pension schemes

- 16.5 The underlying view is that full indexation would be required at least up to April of 2024 with conversion to be brought in as a longer-term option, though there is concern that the more this is delayed, the less valuable the benefit becomes.

17 2019/20 TPR Scheme Return

- 17.1 TPR had hoped to send out their warm up email for the scheme return in the first half of September 2020, informing administering authorities that the Scheme return would be issued in September 2020. TPR has confirmed that there has been a slight delay. All public service pension scheme returns notices have now been issued early November 2020.

- 17.2 The return will be completed by Officers by the deadline of 15th December.

18 September 2020 - CPI rate

- 18.1 On 21 October 2020, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2020 as 0.5%.
- 18.2 Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year.
- 18.3 Confirmation from Government is awaited but it is expected that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2021 will be 0.5%.

19 Mortality Checking – Covid-19

- 19.1 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. The Fund is not always notified timely of a death, one of the reasons the monthly mortality service was undertaken:

Number of Deaths	Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct
Per month										
2020	40	36	43	44	45	32	39	21	21	31
2019	29	25	25	43	46	33	27	30	36	22
2018	38	37	37	31	29	38	24	30	27	41

- 19.2 The Scheme Advisory Board (SAB) have asked the Local Government Association (LGA) to collate death data from each administering authority, to help understand the impact of the Covid-19 pandemic on the LGPS.

- 19.3 The purpose of collecting the data is to identify trends in the number of deaths. By continuing to collect this data in the coming months it will help identify any increases in demand on resources and regional variations.
- 19.4 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.
- 19.5 The total number of notifications of deaths of pensioner members in the Shropshire Fund, which have been provided to the LGA are;

	Feb	March	April	May	June	July	Aug	Sept	Oct
Total number of deaths on pension cases	48	36	43	42	49	47	47	35	52

20. GMP Reconciliation/Rectification Update

- 20.1 At the committee meeting on 18 September 2020, it was reported that the final data cut, which the Fund had been promised by HMRC since December 2019, had been received. The company contracted to work on this for the Fund has undertaken the work necessary to check this revised data and has identified the cases where the correct GMP was not in use. In these cases, rectification calculations will need to be undertaken.
- 20.2 It was reported that the correction of Pensioner benefits should happen in January 2021. However, due to number of cases that need to be reviewed prior to the live processing this cannot happen until February 2021 at the earliest.
- 20.3 Communication should be able to be sent in January 2021 to those affected. This will inform them of their revised pension and that the payment will alter in February 2021. Communication 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 recovery will be made but the pension will be reduced to the correct amount from 1st February 2021. This is in line with LGA guidance and as previously reported to committee.

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

Pensions Committee Meeting 18 September 2020 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Chart

Appendix B – Officer response – McCloud Consultation

Appendix C – MP Luke Hall Letter

Appendix D – Officer response – Exit pay reform Consultation