

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 Implication

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 GMPs 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 to January 2021 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. The chart shows that tasks and cases outstanding have reduced by the end of this quarter. It is also interesting to note that the number of processes completed in a month dropped in December as expected due to the number of staff on leave and the extended Christmas closedown. There was a sharp increase during January 2021 however of the number processed and an increase in the number processed on time.
- 4.2 A temporary vacancy has arisen within the team due to a staff member going on maternity leave 3 months early. The team have successfully advertised externally to fill this vacancy, on a temporary fixed term contract, and a new employee will join the team soon.
- 4.2 Fund Employers will shortly be reminded of the data requirements and reconciliations needed for the year end to 31 March 2021. Revised deficit schedules will also be issued for the updated deficit lump sum amounts, due from some employers in 2021/22.
- 4.4 **Benchmarking 2019/20**

The Pensions Administration Benchmarking Club compares the cost administering of LGPS Pension Funds with others nationally. Shropshire took part in the 2020 club and have recently received the findings.
- 4.5 Output charts are shown at **Appendix B**. Table A, page 1 of appendix B, shows the administration cost per member. Shropshire (black bar) at £19 per member is below the national average of £20 per member.
- 4.6 Tables B and Table C show the costs for pensioner payroll and benefits processing which are also both under the benchmark average. This is consistent to previous years in these areas.
- 4.7 Tables D and E show areas where our costs are above the benchmark average even though we are under the average for total costs. Employer engagement and membership engagement is reflective of

the amount of resource that the Shropshire Team deploy to engage with employers with the primary aim to obtain good quality data and timely payments of contributions, to help the team provide accurate benefits and regulation compliance. Membership engagement has always been a key priority at Shropshire, and it is good to see that the Pension Regulator agrees.

4.8 Help Desk Statistics

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

	November 2020	December 2020	Up to 25 th January 2021*
Telephone calls received	712	635	786
Queries dealt with by helpdesk at first point of contact %*	56%**	76%	75%
Users visiting the Website	2,647	1,974	1,987

*Part month statistics as new phone system in place from 26th January 2021, future statistics will show new phone systems statistics.

**Vacant post and reduced staffing due to annual leave on the helpdesk from 5 November 2020 affected calls answered levels on helpdesk during this month

4.9 The Helpdesk also responds to a number of emails on a daily basis the following table shows these numbers:

	November 2020	December 2020	January 2021
Emails Received	748	592	876
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	35.62	37	43.8

5 Communications and Governance

5.1 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 January 2021 a total of 46% active members and 38% of deferred members and 32% of pensioners were registered to view their records on 'My Pension Online'. Further work will be undertaken during 2021 to release more documentation via 'My Pension Online' to members with access.

- 5.2 In February 2021, BluPrint, Shropshire Council's team who manage the corporate post room, who have been providing incoming post scanning services to the Fund since May 2020, have now taken over the printing and posting of the outgoing mail too. Extensive testing has been undertaken in setting up this service and barcoding has been developed to eliminate the requirement for manual packing of letters.

6 Employer performance

- 6.1 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.

	November 2020	December 2020	January 2021
i-Connect data	98%	97%	97%
Monthly contributions	96%	96%	99%
Monthly deficit	92%	98%	94%

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 Shropshire Council's ICT team reported in December 2020 that the year had been very busy for Cyber Security with the malicious cyber attackers exploiting the terrible events that made 2020 so hard. During the year over 2 billion threats were blocked, there were 133 security

incidents and over 5 ½ million malicious emails were blocked. There were no reports of any attacks to the pension system.

- 7.3 The Fund is looking at its responsibility for Cyber Security in line with the Pensions Regulator Guidance. Several team members attended a training session offered by AON on cyber security for public sector pension funds in November 2020. Aon then launched a cyber security scorecard for funds to complete to benchmark where they are on their cyber security journey. The Fund agreed to participate in this initiative. This has been completed and AON will issue feedback when they have enough data from other funds for comparisons. Aon also offer a chargeable service to work with Fund's on an individual level to look at their Cyber Security Policies and assess any main shortfalls. The Fund will assess the need for this service on the outcome of the scorecard assessment.
- 7.4 Whilst this feedback is being awaited, the team have been looking into the policies currently in place with Shropshire Council. A response is awaited from SC. Many of these policies cover the areas specified and these will be documented. However, early indications have identified that there were some areas that need to be addressed by the Fund. These include a formal Policy or strategy which designates an officer responsible for the Fund's cyber security, covers security for committee and board members, assessments against third party providers and an incident response plan for starters. It is very clear that the Fund will need to continue to work with its host authority to address these areas.

8 System Developments due to Legislative change

- 8.1 The Public Sector Exit Payments Regulations 2020 came into force on 4 November 2020 and imposed a £95k cap on exit payments for employees in the public sector. A public consultation on the draft LGPS Discretionary Payments Regulations 2020 is currently in progress. The new regulations are intended to apply the Exit Cost Cap to discretionary payments for the LGPS scheme Employers in England and Wales.
- 8.2 As a result of this, the system software providers were required to undertake development work to look at delivering a solution to:
- Introduced a facility to record the new information required to run redundancy, early retirement and efficiency calculations
 - Implementation of the new strain calculation method
 - Altair calculation changes for redundancy, early and efficiency retirements.
 - Improvements to the bulk redundancy calculation process
 - Amendment to calculation output to enable members to be presented with their options

- Implementation of changes needed to cater for waiver options

8.3 Aquila Heywood had given an estimate of the time required to complete this development. The cost was to be split between the Software Providers (20%) and the rest of the Funds in CLASS group. The cost to each fund was dependent upon scheme size, so for Shropshire cost would be circa £8,000.

8.4 On Friday 12th February the Government announced however that the £95k cap should be treated as if it never applied. *‘After extensive review of the application of the Cap, the Government has concluded that the Cap may have had unintended consequences and the [2020] Regulations should be revoked. HMT Directions have been published that disapply the Cap until the Regulations have been revoked.’* the document included the following quotes:

- *“HM Treasury will bring forward proposals at pace to tackle unjustified exit payments.”*
- *“If you have been directly affected by the cap whilst it was in force, you should request from your former employer the amount you would have received had the cap not been in place by contacting your employer directly.”*
- *“In light of the withdrawal of the Regulations, employers are encouraged to pay to any former employees who had an exit date between 4th November 2020 and 12th February 2021 and to whom the cap was applied, the additional sums that would have paid but for the cap. Given that the cap has now been disapplied, it is open to employers to do so and HM Treasury’s expectation is that they will do so.”*

A full copy of the guidance can be found here:

www.gov.uk/government/publications/guidance-on-public-sector-exit-payments

8.5 Although the removal of the cap removes the uncertainty and complexity for the Funds and employers in implementing the new legislation, it has meant the extensive work completed to implement the cap in communicating the changes, and updated processes for dealing with quotations/actual retirements has had to be reversed.

8.6 Following the McCloud judgement on age discrimination and changes to legislation due to take effect from 1 April 2022, work has started in preparation for this by Aquila Heywood. Funds will be required to liaise with scheme employers to check the accuracy of data that has been received from them. To assist funds tools have been designed to help with the collection of missing data and the uploading of it to the pension administration system Altair. There are reports available to check on the data held to assist employers. The cost for these tools and reports is being covered as part of the CLASS development fund. The Fund contributes to this as part of its annual support and maintenance costs.

- 8.6 A new module is being offered by Aquila Heywood in respect of a reporting tool that is far more sophisticated than the current report writer available within the current modules. This is called Insights and is supplied by Tableau, it is very similar to PowerBI (Microsoft tool). Insights comes with ready built reporting facilities and dashboards and accesses the pension system database. IT are assisting the team with its investigations and a trial is being arranged. Should this tool prove to be invaluable and SC IT not be able to offer the same output from Power BI then Officers would look for Committee approval to procure this tool.

9. Mortality Checking – Covid-19

- 9.1 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	Nov	Dec	Jan
	34	32	33	38	32	30	25	21	35	28	36	63

- 9.2 A query was raised at the last committee meeting why there was a large discrepancy between the two tables reporting deaths in a month compared to those deaths notified in the month. Unfortunately, the data in the deaths notified in a month table had included duplicate cases so was over stated. The data has now been amended backdated to February 2020 and the LGA have been informed of the revised numbers.
- 9.3 Please note that sadly Shropshire saw a marked increase in the number of deaths we were informed of in January. Over December and January, the Fund was notified of 99 deaths, far higher numbers than previously throughout 2020.

10. GMP Reconciliation/Rectification Update

- 10.1 Pensioner and dependents benefits affected by the GMP rectification exercise were amended from 1st February 2021. There were 123 members affected. This is 0.94% of the number of pensioner and widows benefits in payment as at 31 January 2021.
- 10.2 All have been written to. They were told what their revised pension would be from February 2021. Those pensioners underpaid were paid their arrears.

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 December 2020 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Chart

Appendix B – Benchmarking 2019/20 Charts