



Committee and date
Pensions Committee

25 June 2021

10.00am

Item

Public

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 Members are asked to agree that on-line training and information resource deemed necessary for working from home to be procured with agreement from the Scheme Administrator.
- 2.3 To approve, with or without comment, the revised Employers Events Policy at **Appendix C** and;
- 2.4 To approve, with or without comment, the revised Funding Strategy Statement at **Appendix D**.

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

Energy and fuel consumption: No effect
Renewable energy generation: No effect
Carbon offsetting or mitigation: No effect
Climate Change adaptation: No effect

4. Performance and Team Update

4.1 The team's output and performance level to May 2021 is attached at Appendix A. 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. You will see that in the last quarter, outstanding processes has been falling steadily as processes completed increased. Processes completed on time has seen a small improvement. Refresher training, provided by the software supplier, on workflow was undertaken recently. This proved invaluable, giving clarification on how to use target dates within workflow. The intention is to revisit some of the workflow cases to ensure all target dates are realistic to the case.

4.2 All fund employers submitted their final month 12 data submission, via i-Connect. This provides the fund with the data required at year end for individual member records. Data cleansing is currently ongoing. Checks are undertaken to ensure all active records have Pensionable pay and contributions posted to them. Pensionable Pay, actual pensionable pay (CARE pay) and final salary pay, is checked using a tolerance level of 10% increase or decrease. All discrepancies are sent to employers for them to check the pay they have supplied. This process usually highlights any unprocessed leavers, missing pay due to an absence as well as other missing data such as hours changes. This All checking is expected to be completed by 30 June 2021 to allow for other

bulk jobs to be run ahead of the statutory annual benefit statement production in August 2021.

- 4.3 As well as data collection and cleansing at year end, a reconciliation of contributions received is undertaken. Employers are required to submit two forms giving a reconciliation of the amount of contributions deducted to the amount paid over. This is checked against the amounts we have received for the year as well as a check on the employer % being deducted. The second form is as a compliance statement which gives the fund assurance that the employer has been following the scheme rules. The deadline for receiving these under the regulations is 30 June, any received after this date will be a recorded breach of legislation. At time of writing the report there were 12 outstanding.
- 4.4 Shropshire Council has announced that office based working for whole teams, in place prior to the pandemic at the council, will not recommence. A number of desks will be available to staff to book but teams will not return to the office space they occupied previously.
- 4.5 As 'Working from Home' is therefore here to stay revisions need to be made to how the Pensions Administration Team inducts and trains staff remotely. Online training modules and knowledge hubs will need to be utilised. Those available are currently being assessed and those deemed appropriate and necessary will be procured with agreement from the Scheme Administrator.

5. Help Desk Statistics

- 5.1 The following chart shows statistics of the main work undertaken by the helpdesk team. The tasks completed on the pensions administration system by the helpdesk team are reported with the wider team statistics in **Appendix A**. From April 2021, investigation work is being undertaken to identify the additional workload being created through assisting members with 'My Pension Online'; dealing with activation key requests and dealing with member updates. Statistics below, from April, also now include the number of opt out requests each month. More effective reporting of the number of calls received to the general helpdesk number is available due to a change in the telephone system from January 2021.

	February 2021	March 2021	April 2021
Telephone calls received to helpdesk team	983	827	1140

% of calls answered	92%	94%	92%
Emails received to pensions@shropshire.gov.uk	972	1035	933
% of emails responded to within 3 working days	100%	100%	100%
My Pension Online activation keys issued	n/a*	n/a*	75
Member updates made through My Pension Online	n/a*	n/a*	450
Opt out requests directly dealt with by helpdesk	18	12	32
Incoming post received and indexed to the Pensions Administration system	2,925	3,139	2,470
One to one appointment's held with scheme members	n/a*	n/a*	24

*Newly reported statistics. Figures not available for this period.

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 April 2021, a total of 46% active members, 35% of pensioner and 38% of deferred members were registered to view their records on 'My Pension Online'.
- 6.2 The employers meeting is due to take place on 22 November 2021. It will include an update from the fund actuary on the interim fund valuation and their initial thoughts regarding the next triennial valuation at 31 March 2022, as well as an update on data and the McCloud project.
- 6.3 In April 2021, the team successfully issued payroll documents electronically via 'My Pension Online' rather than sending paper copies. All fund members with a registered email address received notification to login to view their P60 and monthly payslip. Members who had previously expressed a preference to continue to receive a paper copy of the P60 were sent a paper copy.
- 6.4 Work is underway to prepare member newsletters to accompany the annual benefit statements for active and deferred members. The newsletters are being prepared on a collaborative basis with other LGPS funds. Officers from

Shropshire take the lead on this collaboration. All newsletters are reviewed by Plain English and awarded a Crystal Mark showing it has met their required standard.

- 6.5 Officers attended a virtual training session in April 2021 on how to make documents published to the fund’s website accessible. This included (but not limited to) improving published documents so they can be viewed by people with low or no vision, people with dyslexia, colour blindness or motor disabilities. This follows the publication of the Public Sector Bodies Accessibility Regulations. Officers have already identified and made significant changes to the accessibility of the most popular documents published to the fund’s website. Initial changes have been made to the administration reports presented by officers for this meeting. The main changes being to the font and formatting of the information to be more suitable for assistive equipment such as screen readers. Further work is underway to ensure all documents the fund produces are produced in an accessible format and IT software is being procured to test all document accessibility going forward. Officers are also contacting third party organisations to ensure any documents provided to the fund to publish on the website are produced in an accessible format.
- 6.6 Webinars are being organised for fund employers covering the following topics;
- Fund employers considering outsourcing a service
 - Ill health retirements.
- 6.7 These topics have been identified by officers as areas that scheme employers require the most assistance with.

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.

	February 2021	March 2021	April 2021
i-Connect data	96%	98%	98%
Monthly contributions	97%	98%	98.5%

Monthly deficit	94%	97%	97%
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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 There is no data available from Shropshire Council's IT team regarding the number of cyber-attacks for this year to date.
- 8.3 Over the last quarter, the pensions team have been asked to undertake the annual data protection training through Shropshire Council's Leap into Learning portal. This is mandatory training that must be renewed annually.

9. McCloud update

- 9.1 To recap, the Court of Appeal's ruling in December 2018 confirmed that the transitional protections provided for members of the Judges' and Firefighters' pension schemes when the public sector pension reforms were implemented in 2014 and 2015, were age discriminatory. This was because eligibility for these protections was based on an age criterion. Similarly, age-restricted transitional protections were also provided across the other public service pension schemes and last year the government announced that it would seek to remedy the position, including for the LGPS. In the LGPS the protections took the form of a final salary underpin to the new CARE benefit structure implemented in 2014. On 16 July 2020, MHCLG released the much-anticipated consultation on the McCloud remedy for the LGPS in England and Wales (here). The consultation closed on 8 October 2020 and a response to the consultation is expected later this year.
- 9.2 On 13 May 2021, a Written Ministerial Statement was published which outlines the Government's intentions in applying the remedy that is required to the Local Government Pension Scheme in England and Wales following the McCloud judgment. <https://questions-statements.parliament.uk/written-statements/detail/2021-05-13/hcws26>
- 9.3 This confirmed that it is the Government's intention that Regulations providing for the "McCloud remedy" are expected to

come into force from 1 April 2023. The 'key points' in the statement are in line with the prior consultation on the remedy. It also notes that a formal response to the consultation will be published later this year, and that new LGPS regulations giving effect to the changes will come into force on 1 April 2023 (and be retrospective to 1 April 2014).

9.4 The key points from the statement were:

- Scheme regulations giving effect to the above changes will be retrospective to 1 April 2014.
- Underpin protection will apply to LGPS members who were active in the scheme on 31 March 2012 and had membership of the career average scheme without a continuous break in service of more than five years.
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease the earlier of where a member leaves active membership or reaches their final salary scheme normal retirement age (normally 65) before 31 March 2022
- Where a member stays in active membership beyond 31 March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier.

10. Employer contribution flexibilities

10.1 Following the new regulations introduced in September 2020, at the beginning of March, the MHCLG published its statutory guidance on the content of the Funding Strategy Statement where administering authorities decide to adopt the "employer contribution flexibilities". To re-cap, these are the new powers available to administering authorities to review employer contributions between valuations and provide more flexible termination strategies. Alongside the statutory guidance, the Scheme Advisory Board published its guide to employers and administering authorities on how to operate the employer contribution flexibilities in practice.

10.2 The new regulations allow funds to review contributions between valuations under prescribed circumstances. In addition, for employers who wish to curtail the build-up of future benefit accrual but cannot afford the termination payment, a new option of "deferred employer status" can be made available. Although a discretion, funds are actively encouraged by SAB to adopt the employer contribution flexibilities. SAB also encourages employers to ask funds to

clearly state their reasons for not adopting the flexibilities, if this is the case.

- 10.3 The flexibilities provide additional armoury to fund's risk management toolkit. Allowing contributions to flex to meet changing covenant or liabilities provides an opportunity to collect more upfront cash (where covenant has improved or liabilities have increased) or alternatively improve security/the likelihood of future recovery, where covenant has deteriorated.
- 10.4 On 22 April 2021, the fund circulated a consultation on changes to the fund's Employer Events Policy and the Funding Strategy Statement. The consultation ran to 31 May 2021. There was one minor comment received two weeks after the consultation deadline. The consultation cover letter is at **Appendix B**. The updated Employers Events Policy can be found in **Appendix C** and the Funding Strategy Statement at **Appendix D**.

11. GMP Indexation

- 11.1 Following HM Treasury's 2020 consultation on future GMP indexation, it has been confirmed that HMT will not be adopting a "GMP conversion" approach for the LGPS. Instead the current indexation provisions will be extended to cover those members of public service pension schemes reaching State Pension age from 6 April 2021.

12. Pension Scheme Bill

- 12.1 On 11th February 2021, the Pension Scheme's Bill received royal assent and became the Pension Schemes Act 2021.
- 12.2 In addition to tough new powers for TPR, it also paves the way for pension dashboards and climate risk reporting.

13. SAB Annual Report 2020

- 13.1 The Scheme Advisory Board in England and Wales has published its annual report which aggregates information from 88 funds as at 31 March 2020. The numbers of employers and members in the scheme continue to grow and are now above 16,000 and 6m respectively. Assets were valued at around £280bn, with roughly 2/3rds in pooled investment vehicles, and net cash flow (contributions vs benefits) is negative but comfortably met by investment income. The aggregate funding level based on local valuation assumptions at 2019 was 98%.

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

Pensions Committee Meeting 05 March 2021 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Chart

Appendix B – Consultation Cover Letter

Appendix C – Employers Events Policy 2021

Appendix D – Funding Strategy Statement