

## **PENSIONS ADMINISTRATION MONITORING REPORT**

**Responsible Officer:** Debbie Sharp

Email: [Debbie.sharp@shropshire.gov.uk](mailto:Debbie.sharp@shropshire.gov.uk)

Tel: (01743) 252192

### **1. Synopsis**

- 1.1. The report provides members with monitoring information on the performance of and issues affecting the pensions administration team.

### **2. Executive Summary**

- 2.1. Detail is provided on team workloads and performance. Small backlogs are appearing due to staff vacancies. Updates are given on; pension dashboards and the LGPS; the 2022 pension increase of 3.1%; the employers meeting held on 22 November 2021; the pensions taxation webinar run on 8 October 2021 and Kemi Badenoch replacing Luke Hall as minister with LGPS responsibilities.
- 2.2. The committee is asked to ensure they have completed the Pension Regulator's eight training modules.
- 2.3. Highlight data is provided from the published SF3 data which includes the market value of LGPS funds in England and Wales on 31 March 2021 was £332.7 billion, with 6.1 million members.

### **3. Recommendations**

- 3.1. Members are asked to accept the position as set out in the report.

## **REPORT**

### **4. Risk Assessment and Opportunities Appraisal**

#### **4.1. 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.

4.2. Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

4.3. Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

## 5. Financial Implications

- 5.1. 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 did not 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.

## 6. Climate change appraisal

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

## 7. Performance and Team Update

- 7.1. The team's output and performance level to October 2021 is attached at **Appendix A**. The report shows either single standalone tasks or tasks that are part of a case. Cases are a complete process that hold steps (tasks) to be undertaken for a procedure to be completed.
- 7.2. Outstanding tasks and cases have risen quite sharply during the last quarter, particularly in the last month. In October 2021, employers submitted their monthly data return for September 2021. There was a big increase in new starter notifications and post changes. In September, it is expected that there will be increased staffing changes with school-based staff at the start of a new academic year, but the numbers seen increased more than usual.

- 7.3. Although outstanding cases have risen, the numbers of processes processed and completed has also risen including the number completed on time.
- 7.4. Workloads are currently higher than expected for leavers. Especially, in areas such as calculation of deferred benefits, aggregation, and deferred refunds. This is due to staff vacancies not being filled during the last quarter, together with staff holidays during the Summer and priority work being undertaken on producing annual benefit statements and pensions savings statements on time. Work on areas such as these cannot be captured in the performance statistics as not everything can be work-flowed.
- 7.5. At the last committee meeting, it was reported that four new posts were being advertised. The recruitment process has been completed for all four posts and commencement dates for the new recruits have been arranged. In addition, the team has seen a few resignations resulting in further vacancies.
- 7.6 Pensions dashboards are inching closer, and data will need to be accurate when dashboards become available, to minimise disruption. Draft regulations from the DWP are expected in early 2022. This follows on from the enactment earlier this year of the Pension Schemes Act 2021. The draft regulations will provide more information about the data standards, what data will have to be supplied and how pension providers will need to provide it. Next steps will then be for the fund to start preparing for dashboard onboarding by considering whether there is need to use an ISP? to connect to the dashboard ecosystem, cleansing data and ensuring there are adequate resources to prepare for the dashboard connection.
- 7.6. The ONS has announced that the annual rate of CPI inflation as at September 2021 was 3.1%. This number will be used for pension increases in the LGPS in April 2022.

## 8. Help Desk Statistics

- 8.1. The below table shows statistics on the work undertaken by the helpdesk team not covered by the workflow system and reported with the wider team statistics in **Appendix A**.

|   | August 2021 | September 2021 | October 2021 |
|---|-------------|----------------|--------------|
| Telephone calls received to helpdesk team   | 831         | 781            | 673          |
| % of calls answered   | 92%         | 91%            | 93%          |
| Emails received to <a href="mailto:pensions@shropshire.gov.uk">pensions@shropshire.gov.uk</a> | 1013        | 1174           | 944          |

|  |      |      |      |
|--|------|------|------|
| % of emails responded to within 3 working days                           | 100% | 100% | 100% |
| My Pension Online activation keys issued                                 | 172  | 108  | 85   |
| Member updates made through My Pension Online                            | 1106 | 682  | 542  |
| Opt out requests directly dealt with by helpdesk                         | 18   | 45   | 17   |
| Incoming post received and indexed to the pensions administration system | 2644 | 3327 | 2742 |
| 1-2-1 video appointment's held with scheme members                       | 38   | 72   | 54   |
| Users visiting the website   | 9337 | 8858 | 8480 |

## 9. Communications and Governance

- 9.1. 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 2021, a total of 46% active, 39% deferred and 41% of pensioner members were registered to view their records on 'My Pension Online'.
- 9.2. The employers' meeting took place on 22 November 2021. This on-line meeting was advertised to all contacts listed at participating scheme employers. The fund actuary presented to employers on their initial thoughts about the upcoming 2022 actuarial valuation, covering: the background to the valuation, the outlook for future contributions including the impact of key events such as Covid-19 and McCloud and overview of process of timings. A pension administration update was also provided. All committee and board members are invited to join.
- 9.3. A pensions taxation webinar took place on 8 October 2021, hosted by our actuary Mercers. In total there were 52 attendees, which included fund officers for continuous professional development. A survey was given out after the meeting to scheme members and the results showed that:
- 50% had not attended previously
  - 100% either agreed or strongly agreed that they now have a better understanding of pension tax
  - 71% would strongly recommend a colleague attends this webinar if they are impacted by pension tax allowances

- 90% found their pension saving statements easy to understand
  - 92% either agreed or strongly agreed that the webinar helped them to understand what decisions they have to make if they have an annual allowance tax liability and how to go about declaring this
  - 96% felt they have a better understanding of what is their responsibility and what is the responsibility of the fund
  - 62% felt they could not work out their tax liability if the fund did not provide this support
  - 96% either agreed or strongly agreed that they would like the fund to offer 1-2-1 guidance sessions
- 9.4. HMRC announced, on budget day, a variety of measures on the issue of McCloud and the potential impact to individual public sector scheme members. The expectation is that these measures will exempt members "from the tax that may be due on the compensation they receive" and protect members from both annual and lifetime allowance tax impacts. The policy paper suggests the changes will "limit the administrative burden" for members. It is hoped this will be true for LGPS funds as well.
- 9.5. The retired members bi-annual newsletter InTouch was sent to the home addresses of all pensioner members at the end of November 2021. Updates in this edition cover the fund's pledge to protect members from pension scams, where to find more information on the fund's approach to responsible investment, and updates from Jean Smith (Pensioner Representative) and John Hall (Chair of Pensions Board).
- 9.6. In 2020, the fund's usual annual meeting could not go ahead due to restrictions in place because of the Covid-19 pandemic. This meeting is a key part of the fund's communication strategy and officers are currently investigating if a virtual meeting can be held, to provide an update early in 2022.
- 9.7. Fund officers have been working with Pension Board members to create an 'Introduction to the LGPS' guide which will be used to provide an overview guide for new officers, pension board and pension committee members and employers. Due to its size, the guide will be shared with members by email.
- 9.8. The Ministry of Housing, Communities and Local Government ("MHCLG") has rebranded and will now be known as the Department for Levelling Up, Housing and Communities ("DLUHC"). The former minister with LGPS responsibilities for England and Wales, Luke Hall, has been replaced by Kemi Badenoch.

## 10. Employer performance

- 10.1. 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 2021 | September 2021 | October 2021 |
|-----------------------|-------------|----------------|--------------|
| i-Connect data        | 98%         | 98%            | 97%          |
| Monthly contributions | 97%         | 99%            | 98.5%        |
| Monthly deficit       | 98%         | 97%            | 97%          |

## 11. Cyber security

- 11.1. 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.
- 11.2. There is no current data available from Shropshire Council's IT team regarding the number of cyber-attacks for the last quarter.
- 11.3. Fund officers are working on introducing a fund cyber security policy. A presentation was given by Shropshire Council's lead officer in this area to the Pension Board on what the Council currently does for the fund.

## 12. The Pensions Regulators Toolkit

- 12.1. Earlier in the year members were asked to complete the eight modules in The Pension Regulators (TPR) Public Sector Pensions toolkit and download their development record for recording. The toolkit is an e-learning program for anyone managing Public Sector pension schemes. A reminder was sent to members to complete the eight modules within the e-learning program by 30 November 2021. If this deadline is not possible, members were asked to contact the team to discuss an alternative deadline. To date, two members of the pensions committee have completed all eight modules.

### 13. Scheme Advisory Board Update

- 13.1 The England & Wales Scheme Advisory Board (SAB) confirmed on 15 October that they are not recommending any benefit structure changes based on the outcome of their 2016 cost management process (which is separate from the centrally run HMT process). This confirms the SAB's approach that was set out in their letter to DLUHC in August 2021; no increase in the cost of benefits and no implementation of backdated benefit changes. The SAB restated its determination to revisit Tier 3 ill-health provisions and the contribution rate payable by the lowest paid members. Consideration of these potential future benefit changes will be done separately from any cost management process.

### 14. SF3 Data Published –LGPS data for all of England and Wales

- 14.1 On 27 October 2021, DLUHC published Local Government Pension Scheme statistics (SF3 statistics) for England and Wales: 2020 to 2021. Highlights include:
- total expenditure of £13.4 billion
  - total income of £17.2 billion, an increase of 7.5 per cent on 2019/20
  - employer contributions increased by 32.46 per cent on 2019/20 to 10.2 billion
  - employee contributions of £2.4 billion
  - the market value of LGPS funds in England and Wales on 31 March 2021 was £332.7 billion, an increase of 22.14%
  - there were 6.1 million scheme members on 31 March 2021, 2.0 million active members, 1.8 million pensioners and 2.2 million deferred members
  - there were 82,567 retirements in 2020/21, a decrease of 6.4 per cent compared with 2019/20.

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

Pensions Committee Meeting 17 September 2021 Pensions Administration Report

#### **Cabinet Member (Portfolio Holder)**

N/A

#### **Local Member**

N/A

#### **Appendices**

Appendix A – Performance Chart