



<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	7
17 March 2023	<u>Public</u>
10.00am	

PENSIONS ADMINISTRATION MONITORING REPORT

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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. Standard updates are provided on team workloads, performance and employer performance. Projects updates such as Actuarial Valuation, disaster recovery of the pension administration system and a frozen refund exercise are also covered. Updates are also given on communication plans for 2023 with retired, active, and deferred members.
- 2.2. Four policies require members approval. Two policies; the Funding Strategy Statement and the Employers Events Policy have been updated following the 2022 Actuarial Valuation. The other two policies, have had the usual annual review and no significant updates have been identified at this time.
- 2.3. Updates have been provided on key national issues of the McCloud remedy, Pensions Dashboard and The Pension Regulator's Code of Practice. An update in early March has confirmed that there are delays to the national dashboard project, more information is needed to understand the impact on the LGPS.
- 2.4. Two consultations have been released affecting potential changes to the SAB's cost management process and the Annual Revaluation date.

3. Recommendations

- 3.1. Members are asked to accept the position as set out in the report.
- 3.2. To approve, with or without comment, the updated Funding Strategy Statement at **Appendix B** and Employer Events Policy at **Appendix C**.

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. Complying with the national requirement to provide data to the Pension Dashboards will increase costs for the fund. These are presently unquantifiable. Compliance with the proposed Pensions Regulator's (TPR) one code will also increase Fund costs.

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 January 2023 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 both outstanding tasks overall and outstanding cases rose during the last quarter particularly in December 2022. As the service closed over Christmas and a lot of staff used annual leave leading up to it, a smaller number of tasks were completed during that time. Added to that one of our larger employers submitted two months of data through i-Connect in the same month, so this contributed to a larger number of new tasks than would have normally been expected.

7.2. The i-Connect system, that collects the data from employers monthly, automatically creates workflow following submissions. These are mainly in respect of starters and leavers to the scheme. These tasks have to be sorted to identify those that are true new starters and leavers or those that have transferred a post within a fund. This means that tasks can be

outstanding for a two-month period before they can be checked and completed manually. This will mean that the chart produced will have outstanding tasks that can't be completed, but due to the nature of these tasks cannot follow the usual "out of office" rules where they would be excluded from the statistics. The leaver process was also changed last year to leave the i-Connect task open until a leavers form has been received from the employer. This has called for a review by the team of whether a leavers form is required in all cases or just take the data sent through i-Connect. This review is still ongoing.

- 7.3. When a pay award is implemented and back dated, this will result in arrears being paid to employees. Where an employee has had a transfer of posts during the arrears period, the employer will likely make a payment through their payroll of arrears to the old and new post. In these circumstances the arrears relating to the ceased post is not submitted through i-Connect, it is submitted to the team on a spreadsheet for manual input. One of our main employers chose to spread the payment of arrears to some employees over a five-month period. This has created additional administrative work for the team. The decision was taken by the employer without consultation with the team as to the work it would create.
- 7.4. Communication is going to employers shortly reminding them of their data requirements and reconciliations needed for the year end 31 March 2023. Revised deficit schedule will also be issued for the updated lump sum amounts due from some employers in 2023/2024. As the results of the 2022 valuation mean all employers will have a new rate from 1 April 2023, checks will need to be undertaken after the April 2023 payments have been made to ensure the new rates have been applied.
- 7.5. A staff vacancy has recently arisen within the Systems and Support team due to a retirement on 31 December 2022. This role specifically deals with the workflow tasks set up from the monthly i-Connect submissions. As this work will backlog quickly, the Systems team are attempting to cover some of this work whilst the recruitment process is initiated. We had hoped to appoint an agency worker in the interim but at the time of reporting, there were no applicants.

8. Chartered Institute of Public Finance and Accountancy (CIPFA) Benchmarking Club

- 8.1. The Pensions Administration Team takes part in the CIPFA Benchmarking Club which compares the cost of administering LGPS Pension Funds nationally. Shropshire took part in the 2022 exercise and have recently been given access to the findings via a portal. Unfortunately, the 2022 results are not reported at this meeting as officers have experienced issues extracting all the usual data from the CIPFA portal and have queried the information which has been able to be extracted, which has been reported to CIPFA. It is hoped that the 2022 results can be reported to members at the next meeting.

9. Help Desk Statistics

9.1. The following chart 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**.

	November 2022	December 2022	January 2023
Telephone calls received to helpdesk team	607	454	783
% of calls answered	92%	95%	92%
Emails received to pensions@shropshire.gov.uk	1137	676	1075
% of emails responded to within 3 working days	100%	100%	100%
My Pension Online activation keys issued	105	45	56
Member updates made through My Pension Online	355	329	548
Opt out requests directly dealt with by helpdesk	34	32	38
Incoming post received and indexed to the pensions administration system	4212	2692	4667
1-2-1 video appointment's held with scheme members	40	32	36
Users visiting the website	2,595	1,823	2,637

10. Communications and Governance

10.1. 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 2023 a total of 48% active members and 41% of deferred members and 46% of pensioner members were registered to view their records on 'My Pension Online'.

10.2. The team are currently drafting the Spring 2023 edition of the Retired Member Newsletter 'InTouch'. The newsletter is issued twice a year. The Spring edition is issued via email and the document published on the fund website, except when a paper P60 document has been requested by a member and the InTouch newsletter is sent hardcopy with the P60. The Autumn edition is issued to all retired members' to home addresses. The Spring 2023 edition provides updates on the following topics:

- 2023 Pensions Increase
- How to access P60 documents

- 2022 Actuarial Valuation results
- Signposting to cost of living help
- Update from the Pensions Investment and Responsible Investment Manager
- Update from Retired Member Representative on Pensions Committee
- Update from the Pensions Administration Manager
- Guidance to keep safe from financial scams

- 10.3. The team are currently planning to deliver presentations to active scheme members to be held in March and April 2023. Active scheme members will be invited to attend an online presentation and employers will be offered a number of dates to book an in-person presentation at their individual workplace. The aim of the presentation is to remind members that an LGPS pension is one of the most valuable employee benefits and to increase the registered members for My Pension Online. The presentation will cover the main scheme benefits and the functionality of My Pension Online. The presentation will be called 'Get to know your pension'.
- 10.4. Officers are preparing the 2023 newsletters to accompany the deferred and active annual benefit statements. The project has been running for eight years has been organised collaboratively with other LGPS funds, with Shropshire officers coordinating. This year 12 funds are taking part in the deferred newsletter and 11 in the active newsletter. The collaboration enables the funds taking part to save money on design costs and resource time drafting the articles. Both newsletters are reviewed by the Plain English Campaign and have been awarded the Crystal Mark each year.
- 10.5. An employer update is sent monthly via an email bulletin to all registered contacts at participating employers within the fund. The topics covered in the last quarter were:

November 2022:

- Academy guarantee information
- Update on Accounting Schedules
- Pay award 2022
- Holiday pay for part-year employees
- Employers meeting recording and slides

December 2022:

- Publication of the 2021/2022 Annual Report
- Save the date – iconnect webinar
- Christmas opening hours
- Launch of Funding Strategy Statement consultation
- Actuarial Valuation 2022 results reminder
- LGPS statistics for 2021/2022

January 2023:

- Deadline for Funding Strategy Statement consultation

11. Fund policies

- 11.1. Officers review each fund policy annually or when there is a regulatory or internal process change. The review dates for each policy are spread throughout the year and to coincide with a Pensions Committee meeting, for members agreement.
- 11.2. Members are asked to note that the below policies have been reviewed and no updates have been identified at this time. The next planned review date for these policies will be March 2024 or when a regulatory change occurs.
- Reporting breaches policies
 - Training Policy
- 11.3. Following the initial Actuarial Valuation results provided at the Employer Meeting in November 2022 a consultation with fund employers on the revised Funding Strategy Statement started and ran until 31 January 2023. Only one response was received, and discussions are still on-going with this employer. No changes are required to the draft Funding Strategy Statement presented and discussed at the 2 December 2022 committee meeting by the fund Actuary. At that time, we were awaiting the final guidance around what needs including around climate change and any changes following the Investment Strategy review. These updates have now both been incorporated into the final document. The Funding Strategy Statement (FSS) can be found at **Appendix B**.
- 11.4. The Employers Events Policy has been updated by the fund Actuary, Mercers, to take into consideration the results of the 2022 Actuarial Valuation. The updated policy can be found at **Appendix C**. The main updates have been made to align this policy with the changes made to the Funding Strategy Statement, Employer Risk included as a new appendix and an updated approach on academy conversions.
- 11.5. Members are asked to approve, with or without comment, the revised policies at **Appendix B** and **Appendix C**. The policies, once approved, will be updated in the fund's branding template, and included on the fund's website.

12. Employer performance

- 12.1. 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 2022	December 2022	January 2023
i-Connect data	95%	95%	97%
Monthly contributions	99%	97%	98%
Monthly deficit	98%	98%	100%

13. Consultation on changes to the SAB's cost management process (CMP)

- 13.1. On 30 January 2023, the Department for Levelling Up, Housing and Communities launched a consultation on changes to the Scheme Advisory Board's (SAB) CMP. The consultation closes on 24 March 2023.
- 13.2. The consultation follows the report from the Government Actuary's Department into changes to the HM Treasury CMP, and the resulting policy and legislative changes set out in HM Treasury's response to that report. It acknowledges the differences between these two processes but proposes measures suggested by SAB in its consultation response to better integrate the SAB process within the statutory HM Treasury mechanism. The proposed changes that are being consulted on are:
- A requirement to undertake the LGPS Scheme Valuation on a 4 yearly cycle rather than 3, thus bringing it into line with other public service schemes. (N.B. This doesn't change the requirement to undertake individual LGPS Fund valuations on a triennial basis.)
 - Incorporating more flexibility if the SAB decide to make recommendation on costs.
 - Ensuring the SAB is consulted on the technical accuracy of any changes in regulations that may be needed to incorporate the new "economic check" mechanism into the updated HMT cost management process, prior to implementation.
- 13.3. Officers discuss national issues and consultations at regional and national peer groups such as the Senior Pensions Officers Group (SPOG) and LGPS Technical Group. These groups have representatives from the Local Government Association (LGA) which submit responses to consultations, which Shropshire officers have fed into and support.

14. The Pension Regulator's New Single Code of Practice

- 14.1. The new Code is now expected to be published in its final form in the next few months. It's almost two years since the Regulator's consultation on the new Code which set out in the consultation a new merged code bringing together 10 of the existing TPR codes including Code of Practice No.14 (the current Code for Public Service Pension Schemes) into a module-based approach.
- 14.2. Once the finalised new code is published, officers will need to assess the fund's compliance against new Code.
- 14.3. Members may wish to note that AON are running a training webinar on the new code on 23 March 2023 at 2pm.

15. Annual revaluation date change consultation

- 15.1. A consultation has been released by the Department for Levelling Up, Housing and Communities (DLUHC) seeking views on changing the LGPS CARE annual revaluation date from 1 April to 6 April. This is to mitigate the impacts of high inflation on annual allowance calculations. The consultation was released on 10 February 2023 and unusually closed very quickly on the 24 February 2023.
- 15.2. The annual allowance is supposed to reflect the increase in a member's pension benefits above inflation. However, since HM Treasury realigned the period over which pension growth is measured with the tax year in 2015/16, inflationary increases are taken into account.
- 15.3. At present, LGPS career average pension accounts will increase by 10.1 percent in 2022/2023 but the allowance for inflation in the annual allowance calculation will be 3.1 percent only. The result of this is that, without changes to scheme regulations, there will be a significant increase in the number of LGPS members breaching the annual allowance threshold and potentially incurring a tax charge. This is despite the revaluation not representing a 'real terms' increase in their pension.
- 15.4. The consultation proposed changing the yearly in-scheme revaluation adjustment from the 1 to 6 April 2023, and thereafter on each 6th of April, for all members. With protections for:
 - all members whose benefits in payment would have been increased on 1st April, by applying the in-scheme revaluation on 6th April with backdated effect to 1st April
 - death grants that would have been increased on 1 April 2023, by applying the in-scheme revaluation on 6 April 2023 with backdated effect to 1 April 2023 – this is a limited protection applying to deferred and pensioner members who die between 1 and 5 April 2023.

- 15.5. The main concern with this change is that it will come into force on 31st March 2023, and that software will not be updated in time to take account of this change and that some retrospective updates will be needed.
- 15.6. Officers are also considering how to communicate this change to scheme members, as it is a material change that needs to be notified to members under The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. The changes must be communicated at the latest within three months of coming into effect i.e by 30th June 2023.
- 15.7. The Local Government Association (LGA) has issued its response to this consultation which is supported by fund officers:
https://lgpslibrary.org/assets/cons/nonscheme/20230224_Revaluation_response.pdf

16. New version of transfer guidance

- 16.1. On 12 January 2023, TPR published a new version of the Dealing with transfer requests guidance. The guidance assists pension schemes when applying the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021.
- 16.2. When informing members about how to protect from scams, schemes should provide a link to booklet online or telephone number for MoneyHelper, a Government service. The new guidance now makes it clearer that members must use this link to book a MoneyHelper safeguarding guidance appointment. The guidance also asks pension schemes to advise members who are transferring multiple pensions to wait until all transfers have been requested before booking a MoneyHelper safeguarding guidance appointment. This will avoid members having to book more than one.

17. McCloud remedy

- 17.1. The McCloud judgement covers qualifying members of the LGPS to receive an automatic uplift in their benefits in the remedy period of 1 April 2014 to 31 March 2022. On 19 December 2022, a Direction in relation to the Public Service Pensions and Judicial Offices Act 2022 (PSPJOA) was released. The PSPJOA includes retrospective provision to rectify the unlawful discrimination found in the McCloud judgment.
- 17.2. The PSPJOA contains a number of powers allowing LGPS regulations to be made which, subject to some exceptions, require the consent of the Treasury. Part 4 of these Treasury Directions cover the LGPS. Covered in the Act is how compensation may be paid, and the information that must be provided. Key points include:
 - Power to pay compensation – restricts the use of compensation to (i) make members no worse off than if discrimination had not occurred, (ii) compensate for any loss
 - Compensation losses – covers direct financial loss, overpaid annual/lifetime allowance charge

- Interest – scheme regulations for the LGPS must include provision for calculation and payment of interest on the following basis:
 - Interest on Part 4 tax losses must be calculated in accordance with the Taxes (Interest Rate) Regulations 1989
 - Other interest payable from a person to the scheme is the compound interest calculation
 - Other interest payable from a scheme to a person is the simple interest calculation
 - Application for compensation – the member must make an application for compensation in order for it to be paid.
- 17.3. It is expected that a consultation on draft LGPS McCloud regulations will be available early in 2023, including how proposed interest and compensation arrangements will work, however the Government's response to the LGPS McCloud consultation of 2020 is still outstanding. It is expected that final regulations to implement the McCloud remedy may not be released until Summer 2023, or possibly as late as September 2023. This is a concern for all LGPS funds as it will significantly reduce the time between checking the final requirements laid in the regulations and when they come into effect on the 1 October 2023.
- 17.4. Other developments with the McCloud judgement have been released, affecting some members of the Teachers Pensions Scheme (TPS). The implementation of the McCloud remedy in the TPS means that some teachers will be retrospectively eligible for the LGPS for the period from 1 April 2015 to 31 March 2022. The Department for Education (DfE) is in the process of identifying affected members. Officials from DfE will, in some cases, need to confirm the employment status of members during the remedy period with their employer. They planned to have started this process in January 2023 by contacting relevant schools. Affected TPS members are those with a part time employment, in addition to a full-time employment, who are being rolled back into the legacy scheme as part of the McCloud remedy. Officers are unable to quantify the potential impact on the Shropshire fund at this time, until more information is known/released.
- 17.5. The fund has continued its work on the McCloud project since the last meeting including its work with the fund Actuary, Mercer, to data check using a bespoke tool. The tool tests the data held by the fund for reasonableness in order to place employers in three employer categorisation grades which are:
- The data passes enough of the tests undertaken so the fund can be satisfied that the data can be used with no further information from the employer at this stage.
 - There are a few minor queries/clarifications that need to be raised with the employer in order that the fund can be satisfied that the data can be used.

- The data hasn't passed enough of the tests undertaken and therefore the employer will need to provide the fund with separate data for their members.
- 17.6. Once the initial work on categorisation has been completed, employers will be contacted with a summary of reasonableness tests undertaken by the fund. Employers will be asked to sign a statement to return to the fund as acknowledgement of the work undertaken on behalf of the employer, and with agreement, where appropriate, to liaising further with the fund on any next steps required.
- 17.7. The LGA have produce guidance, which was released on 3 March 2023, to assist administering authorities who may be experiencing McCloud data issues. The guidance sets out the options administering authorities in England and Wales may consider if they are unable to collect the data needed to implement the McCloud remedy. Officers will consider this guidance once the initial categorisation work has been completed. The guidance is here:
https://lgpslibrary.org/assets/gas/ew/McC_data_v1.0.pdf

18. Pensions dashboard

- 18.1. The Pensions Dashboards Regulations came into force on 12 December 2022 and require Public Service Pension Schemes to connect to the initial Dashboard by 30 September 2024. There are many key actions, decisions and unknown information to be finalised both for individual funds and nationally for the LGPS including (but not limited to);
- How the fund will connect to the Dashboard and the costs of an Integrated Service Provider (ISP)
 - The matching criteria and how this will match members who use the Dashboard?
 - The data analysis required
- 18.2. The Pensions Dashboard Programme (PDP) have launched a consultation on revised standards for connecting to the dashboard which ran until 16 February 2023. The Pensions Regulator also published a consultation on their Dashboards compliance and enforcement policy. The draft policy sets out expectations to achieve compliance as well as providing clarity on the approach to enforcement in the event of a breach of legislation. This consultation closed on 24 February 2023.
- 18.3. On 12 December 2022, the Department for Work and Pensions (DWP) had published guidance on how to defer connection to pensions dashboards, if needed. It guidance stated that funds must connect to the dashboards by September 2024 but can apply to DWP to defer this in limited circumstances and must apply to do so before 11 December 2023 and the new deadline to connect will be no more than 12 months after the original connection deadline.

- 18.4. However, on 2 March 2023, TPR and DWP have announced delays, by way of a 'Written Ministerial Statement' to pensions dashboards connection deadlines. The full statement can be found by following this link. <https://questions-statements.parliament.uk/written-statements/detail/2023-03-02/hcws594> The impact on the LGPS, at the time of drafting this report, is unknown.

19. 2022 Actuarial Valuation

- 19.1. In the last quarter Scheme Employers have been issued with their individual results following the 2022 valuation. An Employers Meeting was held online to discuss the whole fund and individual results. Employers were invited to subsequently book an online one to one meeting with the actuary to discuss their own results. Employers will be reminded this month of their agreed revised contribution rates and asked to ensure their payroll teams deduct the new employer contribution rate from April 2023 payroll.

20. Frozen refund project

- 20.1. The team are contacting scheme members with historic frozen refunds. These members are not entitled to a benefit in the Fund and didn't claim the refund at the time of leaving the pension fund. There are 441 pre 2008 leavers records which are being tackled first and 528 post 2014 records over 5 years of leaving which will be looked at next. Some records the fund has no current address for, which the current number of these, is not known. The fund will undertake address chasing for these members. The scheme members where an address is held will be contacted first along with the refunds which are accruing interest.
- 20.2. Officers plan to stagger the contact over the coming months to ensure that workloads can be managed when the forms are returned for payment and to deal with queries which may arise. This project may increase the number of records the fund has 'gone away' if it established that the address held is not up to date. Again, though address checking will be undertaken with a third party.

21. Disaster Recovery Exercise

- 21.1. The fund undertook a disaster recovery (DR) exercise with Shropshire Council IT on 11 and 12 January 2023. The purpose of the exercise is to ensure business continuity on the Altair system should an issue or disaster occur at the Shirehall data centre.
- 21.2. This exercise was initially scheduled for 3 November 2022, but IT encountered a problem in their preparation work. This was rescheduled for 16 November but when the process started a further issue was found, this was all resolved for the DR to take place in January 2023.
- 21.3. Leading up to the DR exercise, the pensions administration team put a test plan in place to do checks that all areas of Altair are working as they

should. Before handing over to IT, a snapshot of images was taken, and a report was run to give a reconciliation of the values on the system.

- 21.4. A call was arranged with IT and the Pensions Administration Team on the evening of 11 January where the fail over to the Nuneaton datacentre commenced. This all went successfully; further checks and reports were done by the team.
- 21.5. On 12 January the team commence business as usual whilst the system was running on the external server. The systems team moved to a second phase of the DR plan to do further checks. In the afternoon, the system was taken back from the team, further reconciliation reports were run before IT commenced fail back to the Shirehall data centre. Final checks and reconciliations were undertaken before the team could go back into the system.
- 21.6. Although there were some initial problems encountered during the first scheduled dates in November, the exercise went very successfully in January 2023 and proved that the system could move quickly to an external server if required. Both IT and pensions administration team found the exercise to be extremely beneficial.

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

Pensions Committee Meeting 2 December 2022 Pensions Administration Report

Pensions Committee Meeting 2 December 2022 Agenda item 5 – Actuarial and Funding Strategy Statement Update

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

- Appendix A – Performance Chart
- Appendix B – Funding Strategy Statement
- Appendix C – Employer Events Policy