



Pensions Board
Date 24 January 2025

Item

Public

Pensions Administration and Regulatory Update Report

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Cabinet Member (Portfolio Holder):			

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. Details are provided on team workloads and performance and projects currently being undertaken.
- 2.2. Information regarding Regulatory changes effecting the Local Government Pension Scheme are also included.

3. Recommendations

- 3.1. Members are asked to note the content of this report with or without comment.

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 consequences of this report.

5. Financial Implications

5.1. Managing team performance and collaborating with other administering authorities ensures costs to scheme employers for scheme administration are reduced.

5.2. We have now procured a provider for the following services: (this is to replace one provider for which our contract has ended and to purchase a new service)

- Address tracing UK and Overseas
- Mortality screening UK
- Bank Account Verification (new service)

5.3. These services are vital for ensuring we can pay pensions to members when they are due, to avoid any overpayments of pensions and when making payment the account is verified to protect the fund and the person receiving the payment from Fraud. The screening for up-to-date addresses will also assist the fund when Pension Dashboards go live. Pension Scheme members who have lost touch with their pension, will be able to locate their pension records held with the fund and 'self-serve' using 'my pensions online' to find out more.

5.4. We have now recruited 3 additional Pensions Assistants, who will start work shortly. Additional budget has been approved for salary costs, however there will also be costs arising for training.

5.5. Two new pension qualifications have been made available to pension scheme administrators. As part of the requirement to progress within the team, we will be looking for individuals to take up these qualifications. Due to the number of new staff, we have in the team, this will mean an increase in our training budget requirements.

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. Administration and regulatory update

7.1. Appendix A shows the 16 key performance indicators (KPIs) for cases processed by the Membership and Benefits team (previously known as the Operations Team) up to 30 December 2024.

7.2. The chart shows that 10 of the 16 KPIs are achieving at least 95% of cases being completed by the legal timeframes. To address those that are not being achieved we are undertaking the following actions:

- We have now recruited 2 new Pensions Assistants to join the Membership and Benefits team and a 3rd who will be able to work across all 3 work streams, covering absence and supporting project work.
- We are also developing more automated processes for aspects of work the team complete, where a member of staff has previously had to set up cases manually, this will save time and allow for more work to be done on planning allocation of resources.
- We are also looking to publish more information to pension scheme member's accounts for them to access online, therefore reducing the amount of paper communications we send out and increasing the use of 'my pension online by members.' This will reduce unnecessary delays in the receipt of information both to and from the member, as documents can also be uploaded onto the portal by the member for the team to process.
- A working group has been established to look at the tools we are not yet utilising, the group will prioritise developments and ensure that those will be using the new tools and processes can feed into the development, so they are fit for purpose.
- The management team are also establishing a comprehensive training plan which feeds into the career path for each role. This will include an expectation to study the new qualifications that have been created by the Local Government Association:

Level 2 (GCSE) Award in Pension Essentials

Level 3 (A Level) Certificate in Pension Administration

- Information about the courses has been shared with the team and we have had a lot of interest, we will now look to assess who can be put forward and enrol them on the next available intake.
- The team held a training day on 19th December, training was held on neurodiversity and a presentation from each team leader which covered the responsibilities for each team. Feedback was requested from team members on a number of questions. These are currently being reviewed by the management team to assess how best we can deliver further training for the team and update processes suggested from the feedback.

7.3. An update for the work completed on the fund's business plan is available at **Appendix B**. Most items listed are on track or completed. There are 2 items on hold:

- Good governance review – earlier this year SAB's working group and DLUHC had made considerable progress on the draft regulations and consultation document to implement the Good Governance recommendations. However, the General Election has delayed the implementation of this. We note that the recent consultation released as part of the Pensions Review has incorporated most of the proposals. This work will be picked up once a response to the consultation is available and confirmation of the timescales for compliance are available.
- Biodiversity Risk – this is currently on hold as we await further guidance from Government on how this should be measured and reported.

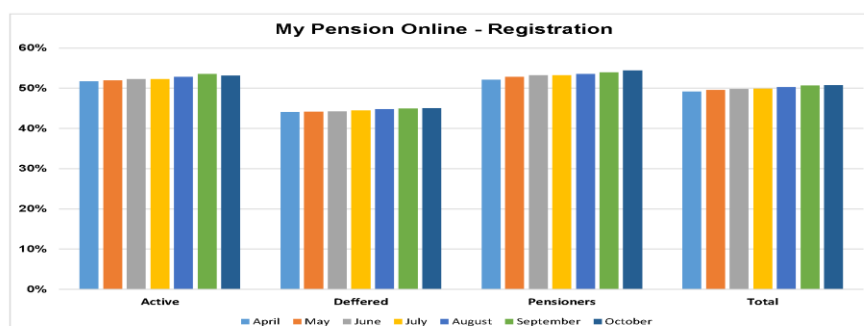
8. Communications and Governance

8.1. 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**.

	October 2024	November 2024	December 2024
Telephone calls received to helpdesk team	654	720	413
% of calls answered	90%	96%	97%
Emails received to pensions@shropshire.gov.uk	885	832	691
% of emails responded to within 10 working days	100%	100%	100%
My Pension Online activation keys issued	81	75	42
Incoming post received and indexed to the pensions administration system	3,767	2,377	1,902
1-2-1 video appointments held with scheme members	13	17	9
Users visiting the website	*3,326	4,202	3,952

**The number of 12,030 reported to committee in December was the page views rather than the number of members visiting the site.*

- 8.2. Calls to the helpdesk remained high in October and November and dropped off in December as the office was closed over the Christmas period.
Traffic on the fund's website increased in October and November which coincided with the update to the member portal.
We are looking to publish documents to members' 'My Pension online' accounts to save time and work created by receiving information back from members via post. Members will be able to upload documents securely to the platform via their accounts.
- 8.3. **Online portal** - The fund monitors member take-up of its online portal, which was recently updated from MSS to Engage, this is known by members as 'My Pension Online.' In October a soft launch was undertaken with our pensioner members to inform them of the updated version of the platform. This helped to see what types of queries we would receive before we updated our active and deferred membership about the change. Following feedback received we have tweaked the instructions we have communicated to members for this to make it easier to access the service, hopefully reducing the number of queries that the team must manage.
- 8.4. The Chart below shows the % of members who are registered for MSS, it's encouraging that we have approximately 51% of our total membership registered and this is increasing steadily, month on month.



- 8.5. This year we will look to run a promotion campaign to target members who are not yet registered. This will help with our progression to publishing more information to member online accounts and reducing the need to post out information that can be both time consuming and expensive.
- 8.6. **Penny (Pension Bot)** - More of our members are starting to use the Pension Bot, Penny, which is available via our website. The knowledge base (questions) is constantly being updated/added to, based on feedback from previous months' questions and helpdesk queries.

Questions asked	April	May	June	July	Aug	Sep	Oct	Nov	Dec
0% score	95	1	2	2	3	3	13	10	4
0.2%-100% score	30	35	51	42	52	54	102	134	63
Total asked	125	36	53	44	55	57	115	144	67
Accuracy %	75	85	81	82	88	80	77	81	83

9. Employer Performance

- 9.1. In line with the Shropshire County Pension Fund administration strategy, employers must pay their contributions and lump sum deficit payment 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 made payments by the deadline for November and December.
- 9.2. This table also includes information about employers who make monthly deficit lump sum payments. Information about employers who did not meet these deadlines is covered in the governance report via the reported breaches chart.

	November 2024	December 2024
i-Connect data received on time	95%	99%
Monthly contributions received on time	99%	99%
Monthly deficit lump sum payments received on time	96%	98%

10. CIPFA benchmark

- 10.1. The results from the CIPFA benchmarking exercise for 2023-24 have now been received. The results show the average costs for running the administration, management, and governance of the Pension Fund.
- 10.2. The information below shows the results for Shropshire compared to the average cost per pension fund:

Pension Fund	Admin Cost per Member	Net Admin Cost per FTE	LGPS Members per FTE	% of Pensioner Members	% of Active Members	Pensioner Payroll Cost per Pensioner
Shropshire	£30.45	£68,980	1,768	27.2%	30.7%	£6.02
Average	£36.69	£199,848	3,190	28.7%	30.8%	£8.10

11. Pensions Dashboards

- 11.1. The latest monthly report for work completed on Pensions Dashboards is available at **Appendix C**. The report shows progress to date, planned work for the next month and high-level milestones. The project is currently on track for our connection date of 31st October 2025. (go live date for all pension schemes is scheduled for October 2026)
- 11.2. We have now secured a provider for data services which will support us with member address tracing, mortality screening, and bank account verification for payments made to individuals. These tools will help reduce the risk of fraud and ensure the data held on member records is as up to date as it can be.
- 11.3. We will look to implement the tools and new processes in the next few months.

12. Regulatory updates

- 12.1. The Autumn budget brought fewer changes than had been expected after lots of speculation beforehand. One change however is the inclusion of inherited pensions in the amounts used for inheritance tax. The government have launched a technical consultation on how and whether to implement this from April 2027. We have reviewed the consultation and have submitted a response to help shape the process that administrators will be required to implement to deliver the requirements of this change.
- 12.2. On 12th November 2024, Bridget Phillipson, Secretary of State for Education made a statement which confirmed that the Department for Education (DfE) has put in assurance to the LGPS for Further Education (FE) bodies. The assurance is a DfE guarantee covering the following FE providers:
 - FE corporations
 - sixth form college corporations
 - Designated Institutions, who are bodies, set up under the Further and Higher Education Act 1992 and are legally obliged to offer their non-teaching employees' membership of the LGPS.

For clarity, the Board Secretariat has sought confirmation from the DfE that this guarantee does not cover Higher Education institutions and covers only the organisations that were reclassified as public sector by the Office for National Statistics in November 2022

This strengthens the covenant in the fund for these employers and the fund are currently reviewing the implication of these changes with employers that are affected by this change.

- 12.3. The mansion house speech on 14 November announced the introduction of 'Mega funds' for investment. An update on this is provided in the report presented to Pension Committee on the 6 December.
- 12.4. **Funding Strategy Statement** - Draft replacement guidance was approved at the joint Chartered Institute of Public Finance and Accountancy (CIPFA) and SAB Compliance and Reporting Committee (CRC) meeting on Monday 21 October 2024. The next steps are for the document to be approved by CIPFA's Public Financial Management Board on 7 November 2024 and for the Board to give its final approval at its meeting on 25 November 2024. It is hoped the Minister will adopt it as statutory guidance, which we expect to be confirmed shortly.
- 12.5. **Updated fiduciary duty opinion** - SAB has recently sought an update to Counsel's opinion on fiduciary duty which was obtained in 2014. The Board requested the update due to the evolving understanding of the fiduciary and public law duties that apply to LGPS administering authorities when deciding and implementing their responsible investment policies. There have been recent controversies in terms of how they should respond to climate change, government targets for particular types of investment and the ongoing humanitarian issues in the Middle East. An initial draft of the updated opinion has been received and is being reviewed. The final version, along with a short summary, will be published shortly on the legal opinions and summaries page of the SAB website.
- 12.6. **Letter recommending separation of accounts** - Jo Donnelly, SAB Secretary, sent a letter dated 12 November 2024 to the Local Government Minister, Jim McMahon MP. The letter reconfirms SAB's previous recommendation to separate pension fund accounts from the administering authority's main accounts.
- 12.7. Following the publication of the Government's English Devolution White Paper on 16 December 2024, MHCLG launched an open consultation setting out proposals for overhauling the local audit system in England. The consultation is called Local audit reform: a strategy for overhauling the local audit system in England. It closes for responses on 29 January 2025. The consultation sets out a strategy to improve the local audit system and asks respondents to comment on proposals within the strategy. Specifically mentioned at paragraph 77 in the consultation document is a proposal to decouple pension fund accounts from the main accounts of the administering authority. The Board has recommended this change for some time.
- 12.8. We have been informed that Jo Donnelly, will be leaving the LGA as she has been successful in gaining the position as CEO at the London Pension Fund Authority. We wish Jo well in her new role and look forward to working with her replacement, which is yet to be decided.

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

Pensions Committee Papers 6 December 2024 – Administration update

Cabinet Member (portfolio Holder)	N/A
Local Member:	N/A
Appendices Appendix A – KPI Chart Appendix B – Business Plan update (Quarter 2) Appendix C – Pensions Dashboard update report (November)	