Warwickshire Local Pension Board

Pensions Administration Activity and Performance update

26 January 2021

Recommendation(s)

1.   The Board notes this report.

1.   Executive Summary

1.1   This report updates the Local Pension board on key developments affecting pensions administration and the performance of the Pensions Administration Service (PAS).

2.   Financial Implications

2.1   All financial implications are dealt with in the body of the report

3.   Environmental Implications

3.1   None

4.   Governance Action Plan

4.1   Good progress has been made in implementing the Governance Action Plan, with 53 actions out of 54 now completed. The remaining action is the implementation of i-Connect, this project is due to run until June 2021.

4.2   Pension Schemes are required by The Pension Regulator to publish and maintain a Cyber Security Policy (the Policy). The increasing reliance of pension funds upon systems means that scheme managers, executive committees and pension boards should increase the priority of data security and ensure arrangements remain fit for propose and mitigate risk.

4.3   The Policy was approved by the Staff and Pensions Committee in December 2020.

5.   I-Connect

5.1   The first live data transfer has taken place and 37 of our 195 employers had submitted data using the i-Connect system by 30th November 2020.

5.2   WCC is the payroll provider for 29 different payrolls,25 of these payrolls was submitted via i-Connect in December, with the biggest payroll, "WCC admin", going live by the end of January.

5.3   Three employers have expressed a wish to change the date they will start to use i-Connect. We have agreed for two to move from Phase 3 to Phase 4.

Stage	Testing phase commences	Live Date Deadline
Stage 1 (Multiple payroll providers already using i-Connect data portal)	9th October 2020	1st December
Stage 2 (Warwickshire County Council employers)	12th October 2020	22nd January
Stage 3 (District/Borough Councils, Warwickshire colleges)	1st March 2021	30th April 2021
Stage 4 (remaining employers)	23rd April 2021	18th June 2021

5.4   As more employers begin to submit data via i-Connect the Employer Relations team will be monitoring the impact this has on the number of breaches relating to monthly submissions and late receipt of membership data. This information will then be reported to the Board.

5.5   It has been encouraging that engagement with employers has been positive and working through COVID has not led to any delays in this project. The only task we would have done differently would have been to hold face to face sessions with employers to provide information and training. However, we have been able to deliver this successfully online.

6.   Guaranteed Minimum Pension (GMP) reconciliation

6.1   GMP reconciliation is the process used to ensure that scheme records agree with those of the National Insurance Contribution Office (NICO, part of HMRC). This enables a scheme to consider its data as clean and entirely reliable.

6.2   The Benefits team are working to a deadline of 31 January 2020 to complete this reconciliation work.

7.   Key Performance Indicators (KPIs)

7.1   Appendix 2 shows KPIs for the period 1st May to 30 November 2020.

7.2   From the chart it shows there are 5 out of 14 targets being consistently achieved and 1 where there are no cases to report. Of the remaining indicators where performance is below target the following explanations and actions are highlighted:

7.3   Letter Detailing Transfer in Quote - we have updated the process to make it easier to capture the processing timescales, for November, this has resulted in a dip in performance. This has been investigated and a training need has been identified and remedied from December onwards. It should be noted that the drop in performance only related to 3 cases.

7.4   Payments of refunds – the team that deal with the payment of refunds, experienced a change in staff for this period, this meant that an experienced member of staff has moved to a different role and a new member of staff joined, leading to time taken out of work processing for training. This led to a dip in the number of cases processed within the target timescales.

7.5   In September we saw an influx of new scheme members joining, which impacted on the number of cases processed in the target timescales. For context in the first 3 quarters of 20/21 the team has processed over 3000 new starters. With the implementation of I-connect the majority of this work will be automated and free up capacity to address those areas of performance that are currently below target.

7.6   In October we also saw an influx of retirements and have also noted a spiked increase in deaths in both April and October, which has impacted on the number of death grant and dependants benefits we are currently processing. This has also impacted on the number of cases processed in the target timescales, relating to information going out to dependants.

The Scheme Advisory Board (SAB) is collecting data on the number of deaths being recorded by pension administrators to understand the impact of COVID-19 on the LGPS.

7.7   With regard to staff welfare, the team management are paying attention to the possible impact of higher bereavement levels on team members and support is available should this be required.

8.   Workloads

8.1   The PAS has been monitoring the tasks outstanding and completed by the service since 1 March 2020. The chart at appendix 2 shows the volume of outstanding work across the service and indicates that as at the 13th December this figure stood at 2806 tasks. Since March, 37,693 tasks have been completed and following the significant reduction in backlog since March 2020 the service has successfully maintained its level of performance.

8.2   On an average weekly basis, we create 897 tasks and complete 926. As more of the team become fully trained, we expect to see the number of tasks being completed exceeding the number being created by a greater number.

9.   Breaches

Table 1: Breaches 2020/21	Red	Amber	Green	No Breach	Total
Number of Employers	0	103	22	67	192

9.1   In accordance with the Breaches Policy, any Amber breach results in direct contact with the employer to resolve the issue, and further escalation if required.

9.2   From the number of breaches reported in our last meeting, we can see that we have no red breaches, amber breaches have increased by 1, 103 to 104 and green breaches have increased from 20 to 22. No breaches have also reduced from 70 to 67.

9.3   tPR have clarified that a breach does not necessarily need to be reported for non-issue of an Annual Benefit Statement where a member's home address is listed as "gone away". We should, however, record the breach if we deem it to be of material significance. The PAS is taking steps to trace "gone-aways" (see section 10 below).

9.4   The information regarding breaches on the Pension Fund website has been updated as requested at the Board's October meeting.

10.   Tracing service

10.1   JLT Mercer have been appointed as a 3rd party tracing service and work commenced on this project on 22nd October.

10.2 Of the 2,724 records, we have been able to trace 2,443 members (90%), leaving just 281 where no trace has been made. We are currently looking at the profile of these cases, to see what date these benefits would be due and the value, this will help determine if we should put these through a higher-level trace.

10.3 66 members have been returned as deceased, and checks are being made to ensure any pension payments have been suspended and we are contacting next of kin. Some of these are for members with deferred benefits, so, there is no payment being made to these individuals.

11. Internal Dispute Resolution Procedure (IDRP)

11.1 The IDRP procedure for WCC members and members previously employed by an employer who has since become defunct, is currently being updated.

11.2 The procedure will be going to Staff and Pensions Committee for approval in March 2021.

12. Communications

12.1 The communication policy has been updated and now reflects the move to go digital with communications to members in the future. The success of the employer engagement day held in November has encouraged us to look at holding more virtual events for employers to deliver training and updates.

12.2 The Communication policy will be going to Staff and Pensions Committee for approval in March 2021.

12.3 Once implementation of I-Connect has been completed our next system improvement will be to install 'Member Self-service' (MSS). This will allow members to view their pension scheme details and run estimates for retirements. It will also enable the service to publish annual benefit statements to MSS, allowing members to access their statements digitally, thus reducing the cost and time taken for producing paper versions.

13. Preparations for McCloud

13.1 Following the recent McCloud and Sargeant legal cases on age discrimination, (informally referred to simply as "McCloud"), the Government will be making changes to remove such discrimination from the LGPS and Fire Pension Schemes. If scheme members qualify for this new protection it will automatically be applied, and they do not need to claim.

13.2 For the PAS this will mean a change to how benefits are calculated going forward and the need to recalculate benefits for a large proportion of members

who have left the scheme since 2014. Even though the new underpin is not actually expected to increase the benefits for most, a check for those members will need to be undertaken.

13.3 Whilst the impact on members is not expected to be material, this is likely to impact significantly on pensions and payroll administration processes and systems as well as requiring a robust communication exercise with employers and scheme members. The additional resource and administration budget requirements to implement the remedy will be substantial.

A Full Business Case was considered and approved by the Portfolio Change Board Board on 11 November 2020 and work has now commenced on establishing project governance arrangements, commissioning of technical project management and activity on the various workstreams.

13.5 This is a significant project, and there is expected to be a considerable cost to implementing the McCloud remedy. The cost relating to the LGPS will fall to the Pension Fund. In addition to the extra staffing that will be needed in the Pensions Administration and HR / Payroll functions, technical project management is required to ensure that the remedies are being implemented in a way that meets our statutory obligations. There will also be costs relating to communications with scheme members and employers, to data quality management and to the changes needed to pension software.

13.6 The total estimated cost of implementing the McCloud remedy is £478,000, as summarised below:

	LGPS £'000
Additional staffing	321
Project management	101
Communications	10
Data Quality management	6
Pensions Software	29
Contingency	11
Total	**478**

13.7 The likely ongoing impact of the McCloud remedy on LGPS contribution rates was taken into account in the 2019 triennial valuation process and will need to be updated in the next valuation. However, it is not likely to be material.

13.8 Due to the significance of this work, and the potential legal consequences, it has been established that a subject matter expert from outside of the PAS is required to manage the project and ensure all the key deliverables are identified, documented and reported to relevant stakeholders. This cannot be undertaken internally due to the amount of work involved and the need to ensure BAU work is not impacted. Therefore, it is proposed that this work will be contracted out.

13.9 Project governance arrangements are being put in place, the PAS have

started work on identifying affected members, and initial communications have been sent out to employers regarding the necessary data collection exercise. Data collection from employers will begin in January 2021, using tools provided by the Local Government Association (LGA), Scheme Advisory Board (SAB), and Aquila Heywood, the Fund's software provider.

14. The Pension Regulator – Pledge to combat pension scams

14.1 tPR has launched a pledge to combat pension scams, supported by the Pensions Scams Industry Group (PSIG).

14.2 The campaign is to help protect scheme members thinking of transferring their pensions. According to complaints filed with Action Fraud, more than £30 million has been reportedly lost to pension scammers since 2017.

14.3 The PAS has seen an increase in requests for information from claim management companies, investigating transfers out, actioned by scheme members. We are committed to protecting our members and ensure that members receive the right information to make an informed decision about their benefits. However, we are not financial advisors and so we also instruct our members to seek independent financial advice.

14.4 The Information Commissioner (ICO) has also issued a new statutory code for data subject access requests. This is particularly relevant for the PAS when dealing with independent financial advisors and claims management companies.

Appendices
1. Appendix 1 – KPIs
2. Appendix 2 – Outstanding tasks

Background Papers

1. Cyber security Policy

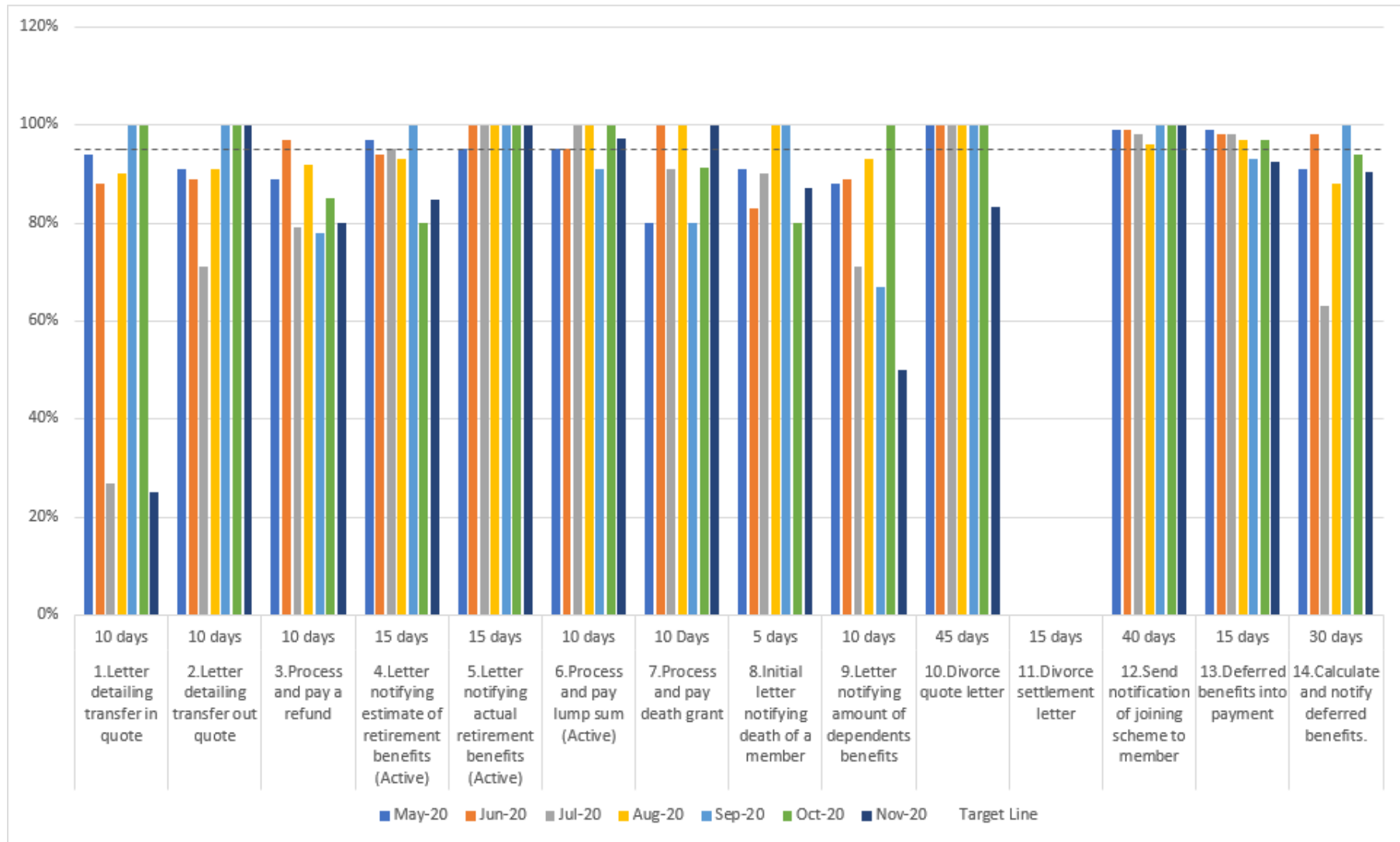|	Name	Contact Information
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The report was circulated to the following members prior to publication:

Local Member(s): None
Other members: Councillors Kaur & Gifford

Appendix 1   KPIs

Appendix 2   Workloads

Total Outstanding Tasks