

## Warwickshire Local Pension Board

### Pensions Administration Activity and Performance update

13 April 2021

#### Recommendation(s)

1. The Board notes and comments on this report.

#### 1. Executive Summary

- 1.1 This report updates the Local Pension Board on the 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 this report.

#### 3. Environmental Implications

- 3.1 None

#### 4. Governance Action Plan

- 4.1 The Governance action plan has been completed, except for the implementation of i-Connect. This project is scheduled to run until June 2021 and is on track.
- 4.2 Going forward items listed on the plan will become part of business as usual for the PAS and investment teams and have been included in the business plan for 2021-22.

#### 5. i-Connect

- 5.1 The first and second phases have now been completed and 66 of our 195 employers have submitted data using the i-Connect system by 31st January 2021. WCC is the payroll provider for 29 different payrolls, all of which went live by 31 January 2021. This means that 11,539 out of 15,072 (77%) of

member records are now being updated by i-Connect following phase 2 of the implementation.

- 5.2 The majority of Town and Parish Councils have also moved across to submitting their data via I-connect.
- 5.3 Three employers expressed a wish to change the date they will start to use i-connect. We have agreed that all 3 can move from Phase 3 to Phase 4.
- 5.4 Two employers who were scheduled to be part of Phase 4 have now asked to become part of phase 3, so Midland Academy Trust and Community Academy Trust will go live in April.

<b>Phase</b>	<b>Testing phase commences</b>	<b>Live Date Deadline</b>
<b>Phase 1</b> (Multiple payroll providers already using i-Connect data portal)	9 October 2020	1 December 2020
<b>Phase 2</b> (Warwickshire County Council employers) Town and Parish Councils	12 October 2020	31 January 2021
<b>Phase 3</b> (Colleges, Town and Parish Councils, CAT and MAT)	1 March 2021	30 April 2021
<b>Phase 4</b> (remaining employers - Police and Crime Commissioner support staff, North Warks BC, Warwick DC, Warwick Independent Schools) Nuneaton & Bedworth BC	23 April 2021	18 June 2021

## **6. Guaranteed Minimum Pension (GMP) reconciliation**

- 6.1 GMP reconciliation is the process used to ensure that the Local Government Pension Scheme (LGPS) records agree with those of the National Insurance Contribution Office (National Insurance Contributions Office part of HMRC). This enables a scheme to consider its data as clean and reliable.
- 6.2 Data comparison work has been undertaken and work continues to update records where this does not match with HMRC data. Most records have been updated; however, the project has taken longer than expected due to having to check the information held on both the pensions administration system and the payroll system for pensioner members.

## **7. Pensions Increase**

- 7.1 Each year pensions in payment are updated by Pensions Increase, in line with the increase in the Consumer Prices Index in the 12 months to September 2020. This year the increase is 0.5%.

7.2 Work by both the payroll and pension teams has been completed to apply this increase from 12<sup>th</sup> April 2021.

## **8. Key Performance indicators (KPIs)**

8.1 Appendix 1 shows the KPIs for the period 1<sup>st</sup> May 2020 to 28<sup>th</sup> February 2021. It should be noted that from January 2021 until 8<sup>th</sup> March, we have been in a 3<sup>rd</sup> national lockdown. The PAS has several staff having to cope with working from home whilst looking after children. Our message to the team has been to do what they are able to do, and on a weekly basis we have been checking in with the team to look at priorities and move around resources where it has been needed.

8.2 KPIs where a payment is to be made are treated as highest priority.

8.3 From the chart in appendix 1 it shows there are 9 out of 14 targets being consistently achieved. This is an improvement from the last meeting, where only 5 of out 14 were being achieving. Of the remaining indicators where performance is below target the following explanations and actions are highlighted:

- The Membership team that deal with transfers (1), refunds (3) and deferred benefits (14) have had a significant increase in work due to the first i-Connect submissions being received from WCC payrolls. This has meant that updates to records for the period April 2020 to January 2021 have been processed and all new entrants to the scheme and all those that have exited for this period have been recorded. This will now continue monthly and reduce the volume of work we would expect to see when working through year end queries. In June last year we saw a similar increase in work. To help the membership get through this, team members who have capacity are helping.
- We have slightly improved the percentage for information being sent out to dependants (9). However, we have reviewed the procedure and found that the workflow system is counting days where we are unable to proceed, as we do not have all the necessary information. The team members who handle these cases have met with their team leader and discussed the process so that the time spent on these is more accurately recorded.

## **9. Workloads**

9.1 The PAS has been monitoring the tasks outstanding and completed by the service since the 1 March 2020. The chart at appendix 2 shows the volume of outstanding work across the service and indicates that the service had 3,889 tasks as at the 28<sup>th</sup> February 2021. Since March, 50,748 tasks have been completed.

- 9.2 Since the introduction of i-Connect we have seen an increase in the average created and completed tasks. On the 30th January 2021 we were averaging 918 created tasks a week with 940 completed tasks. This has now increased to 977 created tasks and 976 completed tasks.
- 9.3 As mentioned in point 8.4, the increase in tasks being created is down to the first live submission on i-Connect for WCC payrolls. We do not expect to see this volume of work being created each month, once all employers are submitting data via i-Connect.

## **10. McCloud project**

- 10.1 The McCloud project has now begun and meetings with Aon, who we have appointed as Project Manager, have commenced.
- 10.2 The project charter has been created and identifies the success criteria and risks involved in delivering the project for both the Local Government Pension Scheme and the Firefighter Pension Schemes. The PAS are now planning resources and workstreams, starting with data collection from April.
- 10.3 The response from the Government, for the Local Government Pension Scheme is expected imminently and this will help to determine the timescales involved for the implementation of changes to the regulations.

## **11. Exit Payment update**

- 11.1 The Restriction of Public Sector Exit Payments Regulations 2020 (“the 2020 regulations”) imposed a cap of £95,000 on the payments of specified public sector exits.
- 11.2 Following challenges from LLG (Lawyers in Local Government) and ALACE (the Association of Local Authority Chief Executives and Senior Managers) and other public sector unions via judicial review the government issued the Exit Cap Directions 2021 on 12th February 2021. These disapply parts of the Restriction of Public Sector Exit Payments Regulations 2020 with immediate effect.
- *“HM Treasury will bring forward proposals at pace to tackle unjustified exit payments.”*
  - *“If you have been directly affected by the cap whilst it was in force, you should request from your former employer the amount you would have received had the cap not been in place by contacting your employer directly.”*
  - *“In light of the withdrawal of the Regulations, employers are encouraged to pay to any former employees who had an exit date between 4th November*

*2020 and 12th February 2021 and to whom the cap was applied, the additional sums that would have paid but for the cap.*

- *Given that the cap has now been disapplied, it is open to employers to do so and HM Treasury's expectation is that they will do so."*

- 11.3 The Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 will formally withdraw the 2020 Regulations on 19<sup>th</sup> March 2021. The Revocation Regulations also contain a legal obligation for employers to make payments to employees (or to other persons including public sector pension schemes in relation to those employees) who left during the period between the original regulations coming into force (4 November 2020) and the date of the Revocation Regulations coming into force. Those payments are the difference between what was paid and the exit payments that the employee would have been entitled to had regulation the 2020 Regulations (i.e. the cap) not been in force.
- 11.4 However, public sector employers planning workforce reform will need to be aware that an exit cap may be in force later in 2021 and that MHCLG may introduce further reforms to exit pay when the exit cap is reintroduced. Unfortunately, we do not know when these changes are likely to take effect.
- 11.5 After a discussion with the Fund's Actuary, it has been agreed that we will revert back to using the Fund's strain cost factors to calculate the cost to employer's for the early release of benefits, suspending the use of the draft government actuaries department (GAD) factors, which had been specifically drafted for exits that would be subject to the exit payment regulations.
- 11.6 Where strain costs have been supplied to an employer based on the GAD factors and this is cheaper than the fund's factors, we will honour the quote. Ultimately, any difference in the cost will be picked up by the employer when the employer contribution rate is re-assessed in the next valuation.

## **12. Annual Benefit Statements**

- 12.1 The Annual Benefit Statements project has commenced, the team are planning the timescales and resources for the different elements of work that must be completed and holding regular project meetings.
- 12.2 With most of our employers submitting data via I-connect for 2021 year-end, we should see fewer queries for the team to work through in the period April through to June. This should mean less impact on our BAU work, as less resources should be required to deal with the year-end work. Last year we saw a big influx of work generated by year-end queries, 1095 queries dealt with, which was on top of BAU.

## **13. Pension Schemes Bill/ Pension Schemes Act 2021**

- 13.1 On 11 February the UK Pensions Scheme Act received Royal Assent. The Act sets out changes not all of which will be relevant to the LGPS; the following sections are expected to be relevant to the LGPS (either directly or indirectly).
- 13.2 Pensions dashboards: The Money and Pensions Service (MaPS) is to deliver a non-commercial dashboard. The Act provides a framework to support pensions dashboards, including new powers to compel schemes to provide information. We will be required to feed in information and regulations will specify the detail of what, when and how information must be provided.
- 13.3 Limiting transfer rights: The Act will allow funds to restrict transfer requests where conditions, including in relation to the member's new employment or to where they live, are not met. This is intended to help prevent pensions scams. Exercising due diligence when a transfer request is received can be difficult, with funds currently having little power to refuse a transfer.
- 13.4 In our last report to the board, we reported the increase in requests the PAS have been receiving from claim management companies, for members who decided to transfer benefits out of the fund. The LGA technical group are gathering information from funds, regarding how funds are dealing these cases so that a similar approach can be agreed.
- 13.5 It has also been suggested that a framework (or panel) of IFA's should be provided by Funds, that members could be referred to for pension transfer advice.

## **14. Employers joining and leaving the Fund**

14.1 That the Pensions Board note the applications from the listed employers which have been approved by Staff and Pensions Committee:

New Academies:

- Kingsway Primary (Part of Community Academy Trust) 1/1/2021
- Lillington School (Finham Park Multi Academy Trust) starts 1/1/2021
- Trinity School (part of Our Lady of Lourdes MAT starts) 1/1/2021
- All Saints Bedworth school (part of Coventry Diocese MAT) start date 1/2/2021

New Employers:

- Sure Maintenance 21/12/2020
- Caterlink start 1/1/2021
- Baileys Catering (Shottery) 1/1/2021

## **15. Timescales associated with the decision and next steps**

None

## Appendices - None

### Background Papers

<https://www.gov.uk/government/publications/guidance-on-public-sector-exit-payments/mandatory-hm-treasury-directions>

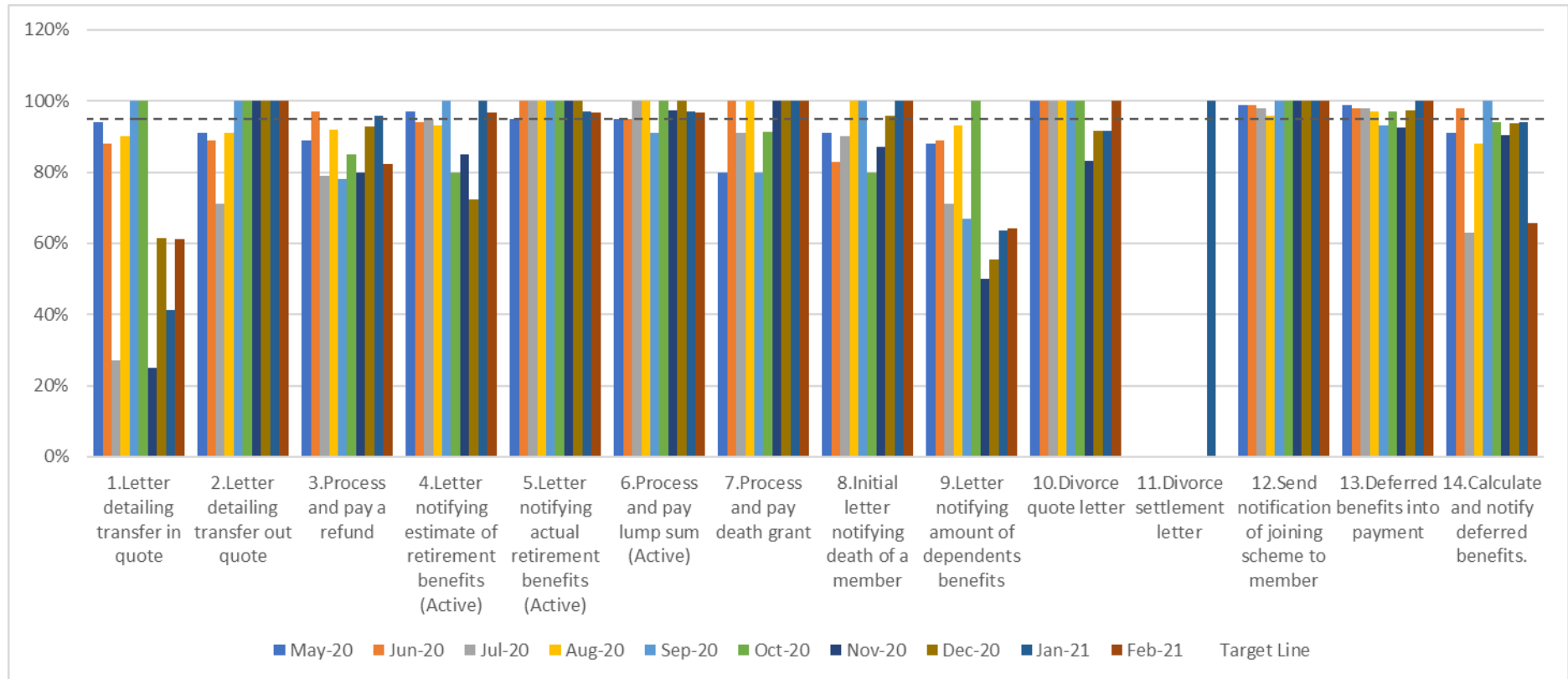
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The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Kaur & Gifford

# Appendix 1





## Appendix 2

