

Warwickshire Local Pension Board

Pensions Administration Activity and Performance update

20 July 2021

Recommendation(s)

1. That the Warwickshire Local Pension Board notes and comments upon the content of this report.

1. Executive Summary

- 1.1 This report updates the 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. i-Connect

- 4.1 The final phase of the project has been implemented and the project has now been completed.
- 4.2 We have onboarded 179 employers and 16,909 members.
- 4.3 We have been unable to onboard 5 employers due to delays created by those employers transferring to new payroll providers during the implementation period. These remaining employers will now be transferred to i-Connect as part of BAU work. From July 2021 onwards all new employers entering the fund will have to submit data via i-Connect as we will no longer accept monthly contribution returns via excel spreadsheet. Any employer still submitting via monthly spreadsheet will incur a charge for time spent on the additional administration work involved to process these.
- 4.4 The project has been delivered within agreed timescales and budget and the pensions administration team have worked extremely well with employers, matching data, and answering submission queries to deliver the project despite the challenges of the past 15 months. Warwickshire County Council

payroll team and ICT have also worked closely with the pensions team to create i-Connect extracts for 29 employers for whom they provide payroll services. As payroll provider for our largest number of members, collaboration of the two teams has been key to the success of the project. We have also received excellent support from our software provider Aquila Heywood.

5. Key Performance indicators (KPIs)

- 5.1 Appendix 1 shows the KPIs for the period 1st April 2021 to 31st May 2021 and includes the average for last year as a comparator.
- 5.2 KPIs where a payment is to be made are treated as highest priority.
- 5.3 The chart shows that there are 10 out of 14 targets being consistently achieved. There is 1 target where there are no cases to report on (KPI 11). Of the remaining indicators, where performance is below target the following explanations and actions are highlighted:

KPI no 1 – Letter detailing transfer in quote details: Marker for last year was 95% and we have seen a significant increase in the percentage completed within target from April to May.

KPI no 7 – Payment of death grants: Low volume of cases means that one late case has had an impact on the percentage.

KPI no 9 – Letter to dependants: the average total for last year was just below the 95% marker. Over the last few months changes have been made to the way these cases are being processed and training has been provided to ensure the workflow process is actually recording when we are able to complete cases (all information has been received) rather than when one piece of information has come in but further information is required to complete the case.

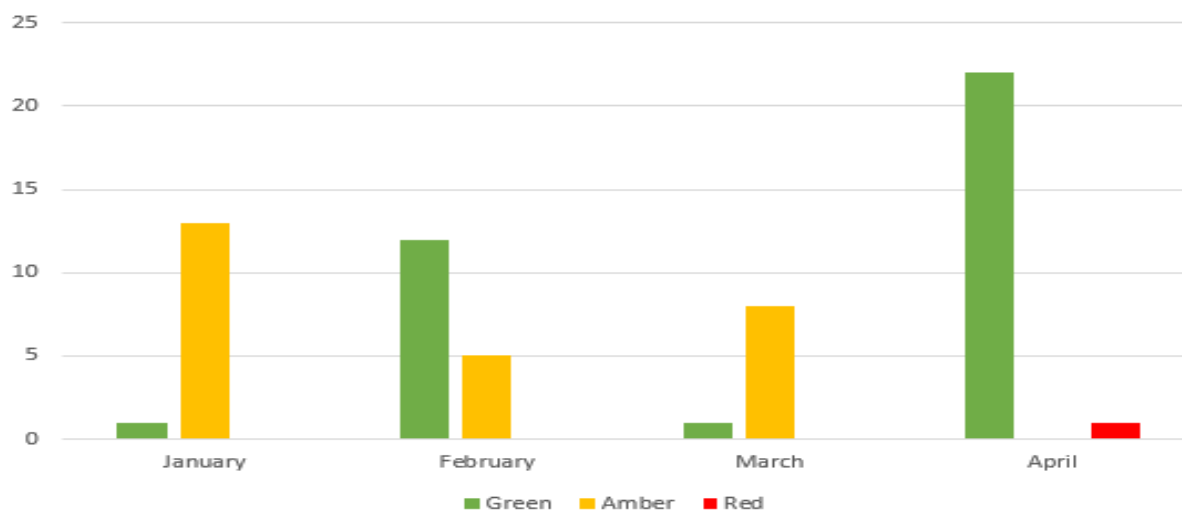
6. Workloads

6.1 The Pensions Administration Service (PAS) has been monitoring the tasks outstanding and completed by the service since 1 April 2021. The chart at Appendix 2 shows the volume of outstanding work across the service and indicates that the service had 2,999 tasks as at the 31st May 2021. Since April, 11,450 tasks have been completed. At the moment the team are maintaining a level where the number of tasks completed, matches the number of tasks coming in, we have approx. 2800 this represents a normal level of work outstanding, If we were to go much above this it would represent a backlog of work.

6.2 On an average weekly basis, we create 1,288 tasks and complete 1,272. The chart in Appendix 3 compares the weekly created and completed tasks.

7. Breaches

7.1 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.



7.2 The table reflects each breach in the month in which they become known. This means that, for example late contribution payments or late data submissions by employers will only be reflected in the month after that to which they relate.

In comparison to the data for April 2021, we recorded 81 breaches in April 2020. With the implementation of I-Connect and simplification of the Breaches recording process we are seeing a reduced number of breaches being recorded.

7.3 A red breach relating to the discovery of a small number of overpayments made to dependant members has been recorded in June. These were identified through an audit exercise and a follow up review of pensions in payment for dependant members submitted since the introduction of a new payroll system in 2018.

7.4 The payments have now been rectified and the overpayments are being recovered with 2 of the 6 already being paid back in full.

7.5 This was reported to the Pensions Regulator on 8 June 2021. The Regulator has confirmed that due to the changes to procedures we have already implemented, to reduce the risk of this happening again, there will be no further action required by them.

8. Tracing service

- 8.1 We have now received the results of the last tracing exercise; a gold trace was performed on 56 members. These were members that should have benefits in payment and have not been found through the Bronze and Silver trace service. Unfortunately, 41 of these were unable to be traced and 2 have passed away. We have 13 members that have been traced and benefits can now be brought into payment for these individuals.
- 8.2 In total we have written to 794 members, where we have been notified of a change of address via the tracing service and we now require the member to verify that change.

9. McCloud project

- 9.1 The McCloud project is progressing as expected.
- 9.2 A statement issued by Luke Hall, Minister for Housing and Communities and Local Government, confirmed that a response to the consultation should now be expected towards the end of the year.

Key elements of the changes that are expected to be made to the LGPS Regulations are as follows:

- Underpin protection will apply to LGPS members who meet the revised qualifying criteria, principally that they were active in the scheme on 31st March 2012 and subsequently had membership of the career average scheme without a continuous break in service of more than five years.
 - The period of protection will apply from 1st April 2014 to 31st March 2022 but will cease earlier where a member leaves active membership or reaches their final salary scheme normal retirement age (normally 65) before 31st March 2022.
 - Where a member stays in active membership beyond 31st March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier.
 - Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.
 - A 'two stage process' will apply for assessing the underpin so that, where there is a gap between a member's last day of active membership and the date they take their pension, members can be assured they are getting the higher benefit.
 - Scheme regulations giving effect to the above changes will be retrospective to 1st April 2014.
- 9.3 The only consideration for the project is that the date for implementation has been suggested as April 2023, which would extend our timescales for delivering this project (April 2021 to March 2023).

The later implementation date is to allow enough time for software developments to cope with requirements for additional information to be provided in members annual benefit statements.

- 9.4 Data workstreams involving members of the PAS and payroll teams have begun. All employers have now received their data to check and verify.
- 9.5 Benefit processes and rectification workstreams have also begun and through these we will be identifying workflow processes and communications to members that will need to be updated.
- 9.6 We have also been in consultation with Hymans, the Fund's actuary, and have now instructed them to carry out an assessment of the impact of McCloud on individual employers.

10. Exit Payment update

- 10.1 The Restriction of Public Sector Exit Payments Regulations 2020 ("the regulations"), imposing a cap of £95,000 on the payments which specified public sector exits were revoked on 12th February 2021.
- 10.2 A request for data for the financial years, 2014-15 up to 2020-21, has now been received and the WCC Exit Payment Working Group has worked together to ensure all information has been submitted within the deadlines.
- 10.3 It is anticipated that a further consultation on this will be issued towards the end of the year.

11. Annual Benefit Statements

- 11.1 The Annual Benefit statement project for 2021 has commenced. Statements for those that have benefits held in the scheme but are not currently contributing (deferred members) have been sent out.
- 11.2 Statements for active members will be sent out in August and must be received by 31st.
- 11.3 This year is expected to be the last year that we will send out paper annual benefit statements. With the introduction of Member self-service, we will be able to produce online statements for members, delivering both time and cost savings.

12. Member Self service

- 12.1 A project proposal has been put together for the implementation of Member Self-service (MSS). Implementation can be delivered over a 6-month period, subject to agreement of the contract, and availability of appropriate resources.

- 12.2 The PAS is under increasing pressure, with ever growing queries from scheme members. With regulatory changes now recognising web communication as legitimate for disclosure purposes, Warwickshire needs to move with the times and use web services to increase scheme member engagement, provide a better service and drive down costs.
- 12.3 Member Self-Service provides members with an easy to use interface to their pension's details. The interface will enable members to access information, undertake data amendments, view their documents, and carry out benefit projections online, without taking up valuable administration staff time.
- 12.4 Using Altair Member Self-Service, the PAS can choose to offer a range of services and information to existing, prospective, active, and deferred members, and pensioners. In addition, usage can be monitored using website statistics.

13. New employers and exiting employers

- 13.1 The following employers are looking to join the fund:

New Academies

- Wellesbourne Primary School (Fosse Multi Academy Trust) 1/4/2021
- Tysoe Primary School (Fosse Multi Academy Trust) 1/4/2021
- St Edwards Primary Catholic School (Our Lady and All Saints MAT) 1/4/2021
- Wooten Wawen Primary school (Arden Forest MAT) 1/4/2021
- Ferncumbe Primary School (Arden Forest MAT) 01/04/2021
- Studley Infants School (Arden Forest MAT) 01/04/2021

New Employers

- Aspens Services (pass through agreement from Ash Green School) 01/04/2021

14. Guaranteed Minimum Pension (GMP) reconciliation

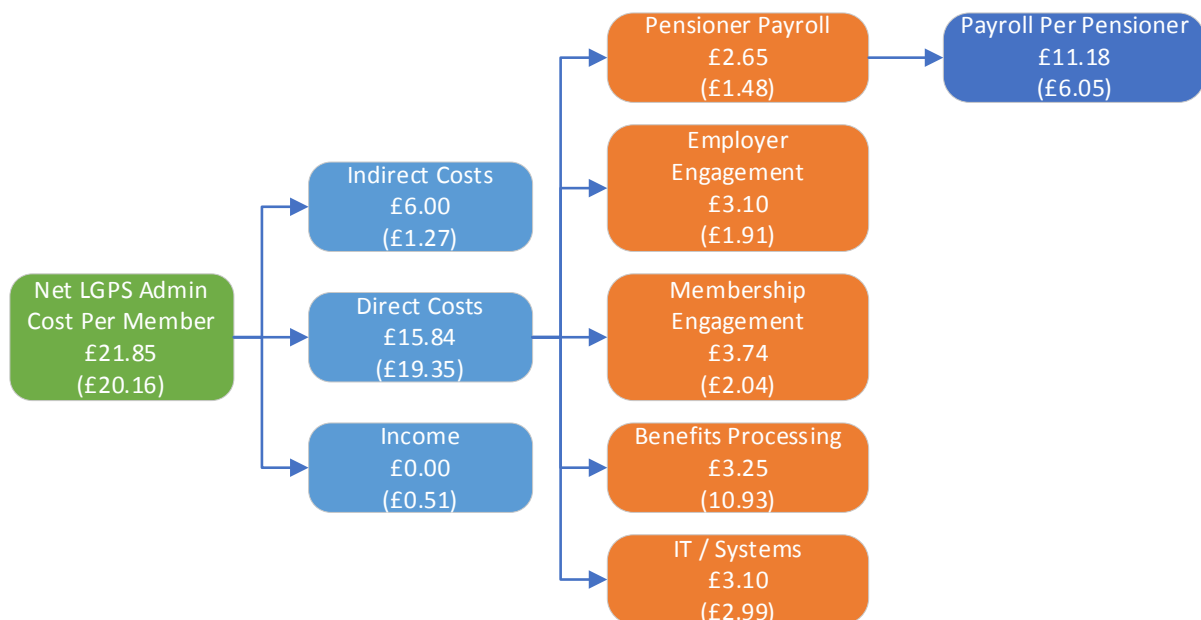
- 14.1 The GMP reconciliation exercise is taking longer than expected to complete. This is due to the complex nature of the application of a GMP to a pension payable from the Local Government Scheme, the volume of records that need to be checked and the requirement to check the details across both the pensions administration system and separate payroll system for pensioner members.
- 14.2 The purpose of the exercise is to ensure that the information held by the Fund in relation to periods of scheme members contracted employment out correctly matches the data held by HMRC. Where information is incorrect and outside agreed tolerances, a rectification exercise will be undertaken. The Fund engaged Hymans, the schemes actuary to undertake part of the work

required for this exercise, namely, to liaise with HMRC over the data for Warwickshire pension fund members and identify any queries. Following this work the fund were left with 37,797 lines of data from HMRC to reconcile.

- 14.3 Since July 2020, the Benefits team have been trying to complete the comparison between HMRC data and data held on scheme member records. As of 31 May 2021, 31,008 scheme member records had been reconciled. The majority of these matched to what is held on the pension record.
- 14.4 For those that do not match the Benefits Team have been trying to clear these on top of their business-as-usual work. 695 cases have been cleared however there are approx. 3,593 priority cases, where it is indicated that the value of pension that is in payment is incorrect.
- 14.5 In order to complete this work in a satisfactory timescale a request for additional resources has been made.

15. CIPFA benchmarking 2019/20

- 15.1 The CIPFA Benchmarking exercise analyses the cost of Pensions Administration per member by its component parts. Twenty-three Pension Funds took part in the 2019/20 exercise.
- 15.2 The chart below shows the 2019/20-unit costs for Warwickshire. The figures in brackets are the average for the pension administration services that participated:



- 15.3 As reported to the board in October 2020 the charge for pensioner payroll has been re-assessed and has been reduced from 20/21 onwards. The figures for 2019/20 show that overall, the cost effectiveness of Warwickshire's Pensions

Administration Service has improved from the 2018/19 figures. The direct cost of providing the Pensions Administration services in Warwickshire is lower than the comparator group, with Warwickshire having the fourth lowest cost out of 23 funds at £15.84 per member. This is in spite of the figures not yet having been adjusted to reflect a reduction in the charge for Pensioner Payroll costs. However, some of the issue may be to do with different Funds counting costs differently as direct and indirect, and this will be investigated further.

- 15.4 Within these direct costs, the breakdown reflects some variation between elements of the service, but in the main these will reflect differences in the way administrators structure their services.
- 15.5 Indirect costs reflect the costs of overall management of the service. For 2019/20, Warwickshire's costs appear disproportionately high, at £6.00 per member compared to the comparator average of £1.27. However, in 2018/19 the indirect cost per member of the comparator group was £6.50, and in 2019/20 six Funds have recorded no indirect costs at all. This suggests that there may be a lack of consistency in the way this cost element has been interpreted, and further investigations will be carried out via the benchmarking group.
- 15.6 Warwickshire is one of five administrators in the group which does not register any income. Those which do record income of between £0.05 to £1.72 per member. Further work will be carried out to understand the source of this income to ensure no appropriate opportunities are being missed. From 2021/22, for example, it is possible that Warwickshire will register some income, from employers who from July 2021 do not submit their monthly returns using i-Connect.

16. Internal Dispute Resolution Procedure (IDRP)

- 16.1 There has been 1 Stage 1 internal dispute raised in the last quarter.
- 16.2 At the time of writing the Fund is in correspondence with the Member and their solicitor in order to inform a Stage 1 decision.

17. Administration Strategy

- 17.1 The administration strategy has had some minor amendments to reflect the requirement of employers to use I-connect for the transfer of pay data to the pensions team and amendments made to the Breaches Policy.
- 17.2 The Administration Strategy can be viewed on the Fund website.

18. Timescales associated with the decision and next steps

None

Appendices

Appendix 1

Appendix 2

Appendix 3

Background Papers

<https://questions-statements.parliament.uk/written-statements/detail/2021-05-13/hcws26>

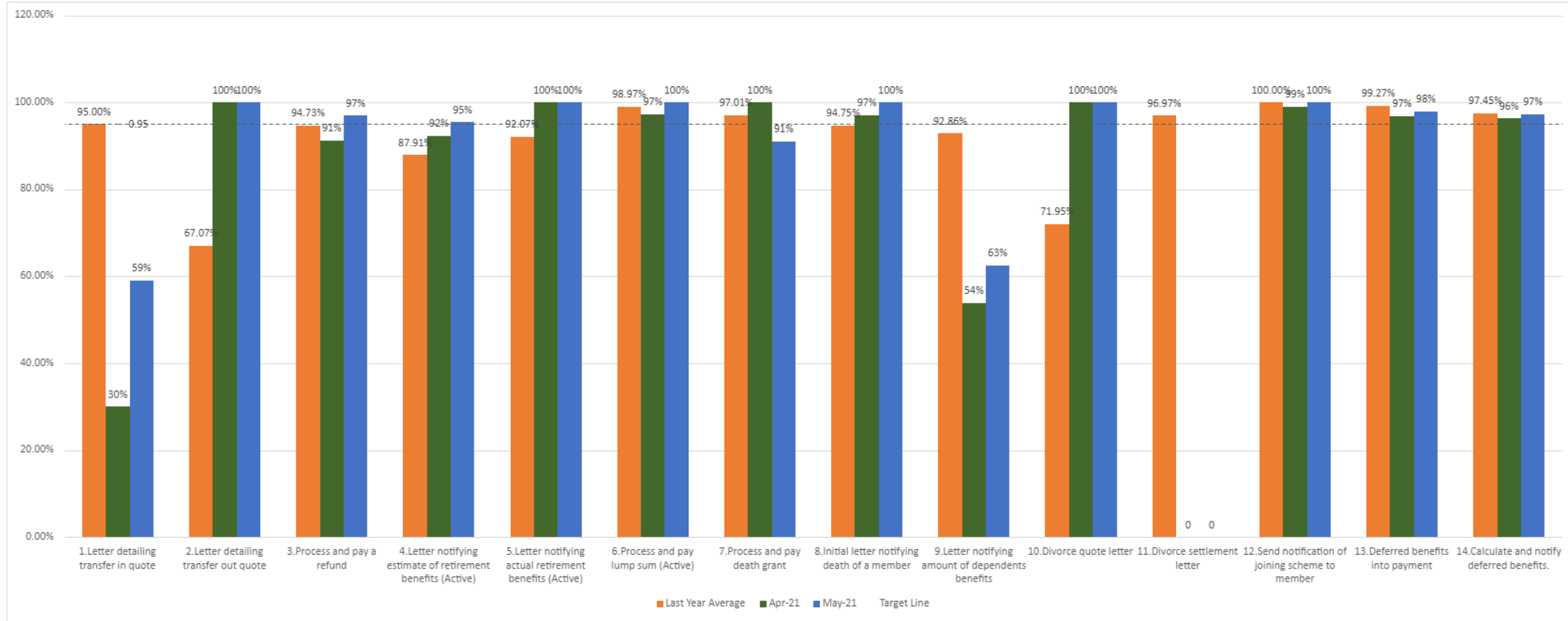
	Name	Contact Information
Report Author	Liz Firmstone, Victoria Jenks, Victoria Moffett, Chris Norton	lizfirmstone@warwickshire.gov.uk, vickyjenks@warwickshire.gov.uk, victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton	Andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	Robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	PeterButlin@warwickshire.gov.uk

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

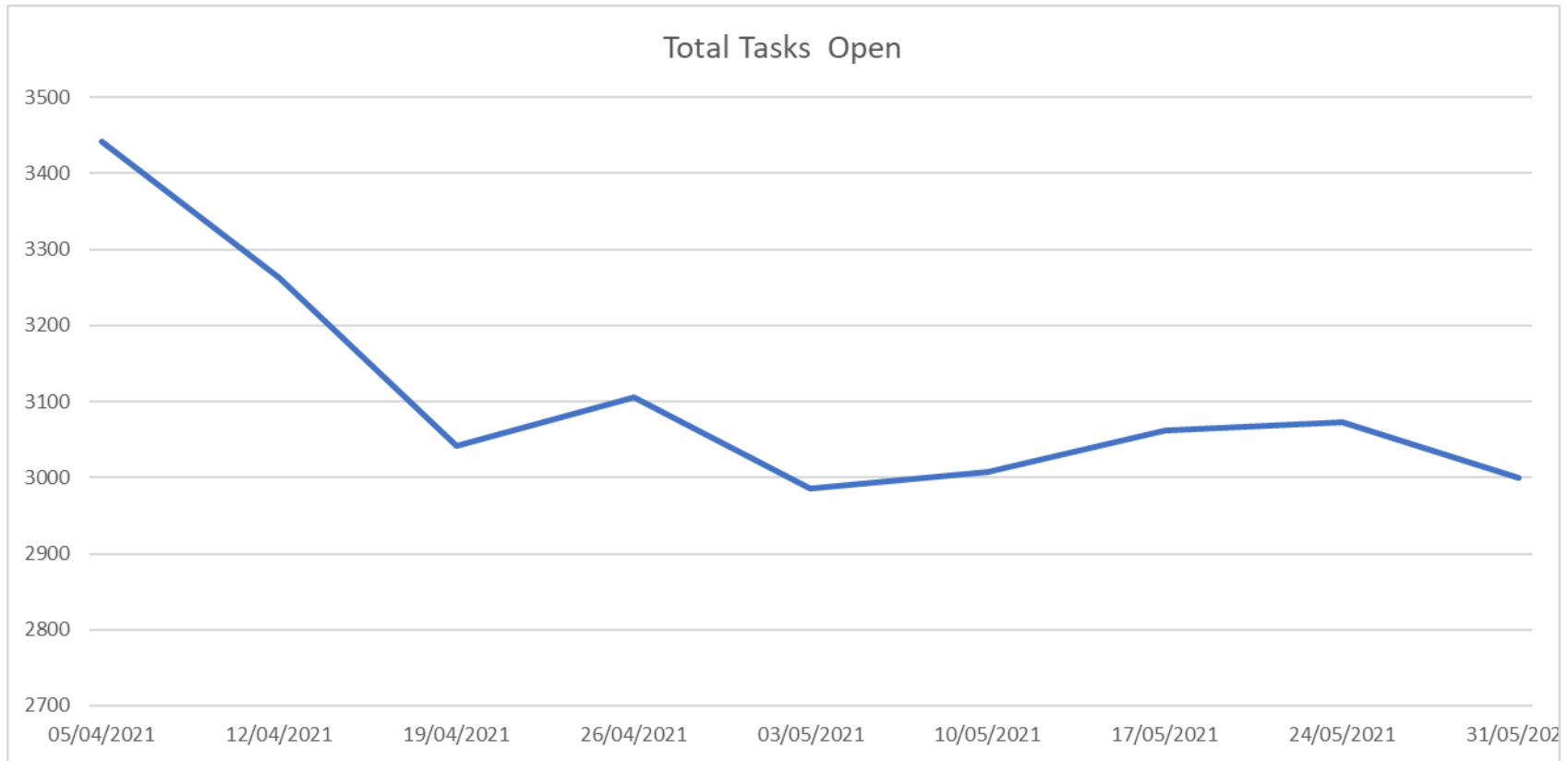
Local Member(s): None

Other members: n/a

Appendix 1 Key Performance Indicators (KPIs)



Appendix 2 **Total number of outstanding tasks**



Appendix 3 Comparison of work created, and work completed per week

