

Warwickshire Local Pension Board

12 July 2022

Warwickshire Pension Fund Pensions Administration Activity and Performance Report

Recommendation

That the board notes and comments on the 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. Member Self Service (MSS)

- 4.1 MSS has now gone live, the team have been rolling out invitations to members, so that they can create their user accounts.
- 4.2 We have enlisted the help of all scheme employers to promote MSS. We have also advertised the tool on Working for Warwickshire, our internal intranet, social media, and the Fund website.
- 4.3 Take up has been promising with 2000 deferred members signing up within a week of receiving their activation key, this is approx. 10% of deferred members.
- 4.4 This year, Annual Benefit Statements will be made available via MSS, rather than sending paper statements out. The cost to provide paper statements is

approximately £25k per annum. Making the statements available online will also help with the Council's target for reducing our carbon footprint. Any member who cannot access MSS can opt to receive a paper copy.

5. Key Performance Indicators (KPIs)

5.1 Appendix 1 shows the KPI percentages for the period 1st April 22 to 31st May 2022.

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

For KPIs that are not being achieved:

KPI 1 – Letter detailing transfer in quote – this is currently 60.45%. This has increased from 52.56% in 21/22. Workflow processes have been amended to enable the team to manage these cases better, and this is starting to be reflected in the improvement in performance.

KPI 2 – Letter detailing transfer out quote – this is currently 93.96%. This has increased from 91.89% in 21/22.

KPI 4 – Letter Notifying Estimate of retirement benefits – Currently average of 91.1%. The month of May we have achieved 97% but had a very busy end of year in April so only achieved the target 88% of the time.

KPI 8 – Letter acknowledging death of a member – Currently average of 93.38%. We expect the performance of this to improve as this is the first time it has gone below 95%. Some cases can be complex with information being provided by third party sources that need to be verified before actioning.

KPI 9 - Letter notifying amounts of dependents benefits – Currently average of 88.8%. These are some of the more complex calculations we have to do and sometimes require file retrieval from off-site storage which can delay our response.

6. Workloads

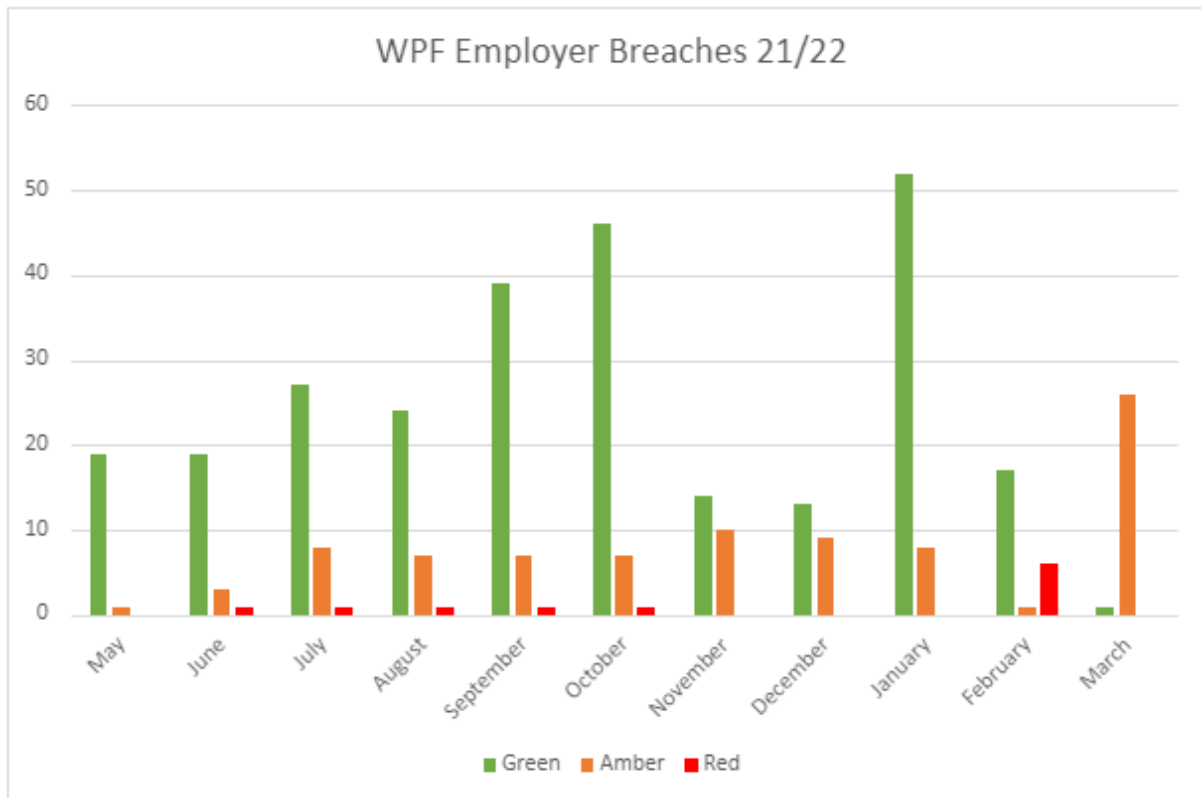
6.1. From April 2022 we are using a different tool for reporting. This provides data by calendar year rather than financial year.

6.1 Appendix 2 shows the total number of cases completed in calendar years 2020 and 2021, and 2022 to the end of May. In the five months to 31st May 2022 the team had received 16,637 tasks and there were 2,327 live cases outstanding.

6.2 This shows that the number of cases completed is 14,310 so far for this year and that the volume of cases being completed outside of target KPI timescales has reduced from 20% in 2020 to 12% so far this year.

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 A red breach has been reported to the Pensions Regulator in March 2022. This is in relation to a multi academy trust who has not provided monthly returns on time for the period 1st April 2021 to 31st March 2022 for a number of academies. The multi academy trust had changed payroll provider, and this has contributed to the delay. Following the report to the Pensions Regulator all outstanding information has been received and the trust is looking to supply information via i-Connect. No further action was required to be taken by the Pensions Regulator.

7.3 In March there was also an increase in amber breaches, this was caused again by one payroll provider who provides the service for a number of schools in a multi academy trust, submitting the i-Connect submissions late. The schools affected and the payroll provider have all been notified of the breach.

8. McCloud Project

- 8.1 The McCloud Project is continuing, and we are still receiving updated service data from Warwickshire County Council payroll. However, the Local Government Association have indicated that there will be a delay in the release of the regulations that were originally expected in April 2023, and these are now likely to be in place by October 2023.
- 8.2 The recruitment for posts within the Pensions team dealing with the rectification work will take place later than planned because of this delay.

9. Internal Dispute Resolution Procedure (IDRP)

- 9.1 The Fund has three outstanding IDRP cases, 2 at Stage 1 and 1 at stage 2.
- 9.2 Two cases relate to the transfer out of benefits to other pension arrangements, and one relates to the reduction of a member's pension relating to the GMP rectification exercise.

10. Guaranteed Minimum Pension (GMP) reconciliation exercise

- 10.1 The GMP reconciliation and rectification exercise has been completed.
- 10.2 The total of number cases that required a review was 2,618, resulting in 1,180 overpayments and 122 underpayments. The remaining 1,316 were cases where a the GMP is not yet being applied and the GMP information has now been updated on the members record.
- 10.3 The 1,302 cases to review, that resulted in an over/under payment, were where the data from HMRC and what was held on the pension record did not match:
- Average value of underpayment £118 per year
 - Average value of overpayment £195 per year
 - On average most payments have been incorrect for approx. 17-18 years

Total cost to pension fund (as of 31 March 2022)

- Overpayments - £2.2m for 1180 cases
 - Underpayment - £45k for 122 cases
- 10.4 The Fund has had regard to a guidance note issued by the Local Government Association (LGA) in 2017 which addressed the recovery of overpayment of pension in these circumstances. It was recommended that, in line with this guidance, the Fund would not seek to recover the overpayments for the following reasons:

- a) Given the complexities around GMP rules, it would be unfair to assume that the affected member could have had any knowledge or understanding at an earlier time that this resulted in their pension being overpaid.
- b) Most people affected are likely to be elderly and vulnerable and already facing rising inflation and costs of living. These factors could impact the Fund's ability to recover some or all of the overpayment and lead to additional unrecoverable costs in taking any recovery action.
- c) The average overpayment is £195 per year (although the maximum total historic overpayment identified to date is just under £28k). It would not be cost effective in many cases to pursue the overpayments as debts, given the volume of cases, the costs of legal action and the low value per claim.
- d) It is arguable that the Fund could have discovered the overpayments itself at an earlier point in time which could render some claims time barred under limitation rules.
- e) This is the approach that has been taken by the majority of LGPS and public sector funds in the same situation.

10.5 The Leader approved the decision not to seek to recover any past overpayments of pension made to members of the Warwickshire Local Government Pension Scheme which have been identified through the GMP reconciliation exercise. It should be noted that these overpayments do not constitute debts which are being written off but are payments that the Fund understood to be correct at the time based on records held. All costs are payable from the Warwickshire Pension Fund.

11. Pensions Increase

11.1 Pensions increase for 2022 is 3.1%. This has been applied to pension payments from 11th April 2022.

12. Transfer of Firefighter Pensions Administration Service and Pensioner payroll

12.1 The transfer of the Firefighter pensions administration and pensioner payroll has now successfully been completed, from 1st April 2022 the service is being provided by West Yorkshire Pension Fund.

12.2 The contract will be managed by a member of the Pension Administration Service, with regular client meetings scheduled. A regional collaboration group has also been established which includes colleagues from Hereford & Worcestershire, Staffordshire, Shropshire, and Leicestershire, Derby and

Nottinghamshire. This group will look to ensure best practice and consistency for governance of the schemes.

13. Pensions and Lifetime savings Association (PLSA) – Governance Conference June 2022

13.1 In June fund representatives attended the PLSA governance conference, the conference covered topics for pension funds on both administration and investment.

13.2 The Scheme Advisory Board annual report was covered at the event and has been shared with the board.

13.3 PLSA also provided a session on The Local Government Pension Scheme: ‘Today’s challenges, tomorrow’s opportunities’, the full report, and executive summary have also been shared with the board. There are some useful discussion points in this document which is split into 4 key areas and recommendations that should be noted by the fund, particularly around operational sustainability, systems, and people. This highlights the national issue of recruitment and retention of pension fund staff.

13.4 The Local Government Association have also recently requested information from Funds regarding staffing issues, as it is recognised that a lot of funds are struggling to fill vacancies and recruit additional staff to help with project work, such as McCloud and GMP rectification. There is real concern that due to the continuing complexities and the need for staff to understand legislation that is constantly changing, funds will struggle to recruit and retain staff. For the PAS in Warwickshire we currently have 2 vacancies which have been created through staff being seconded to the McCloud project.

15. Timescales associated with the decision and next steps

None

Appendices

None

Background Papers

None

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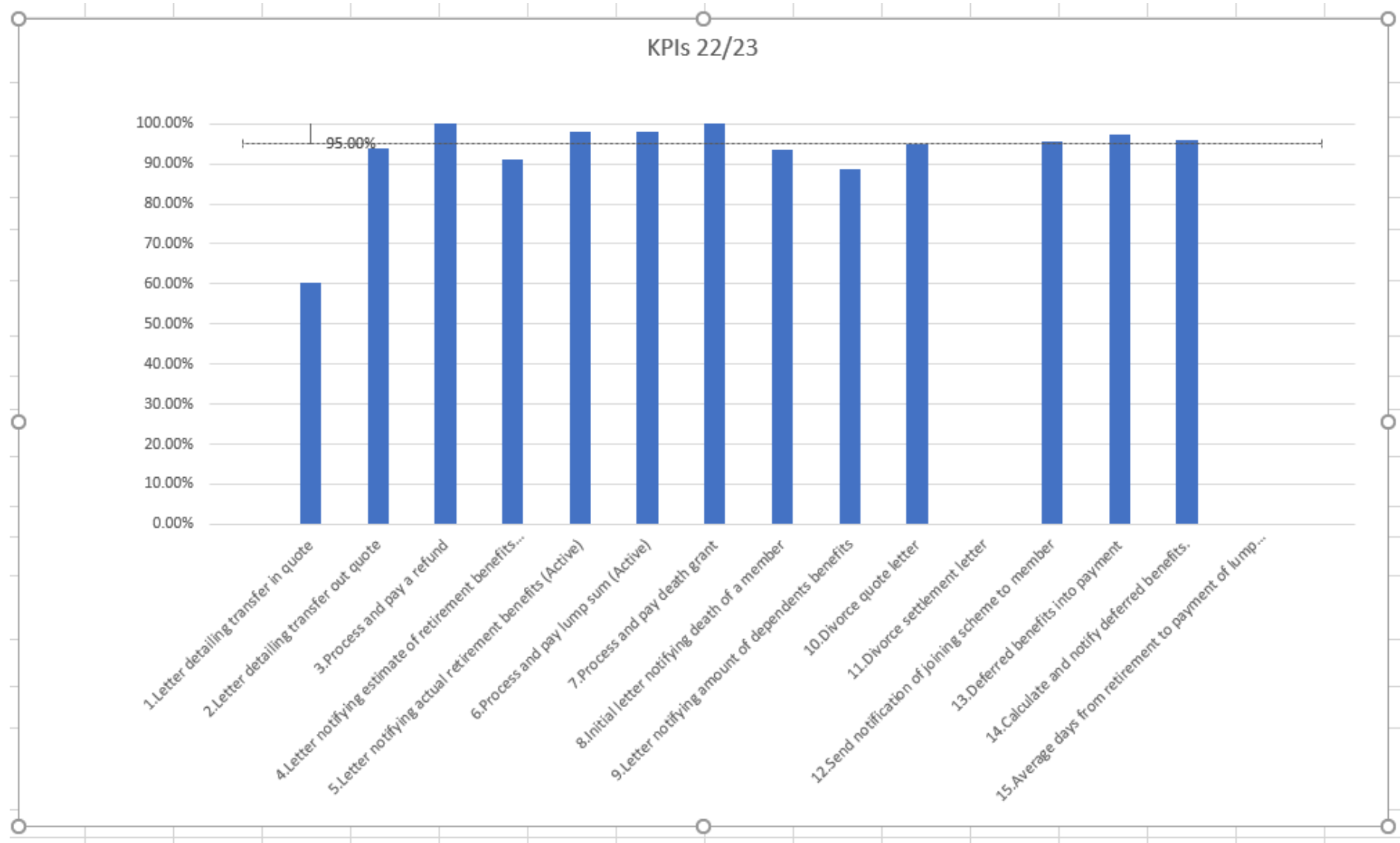
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The report was circulated to the following members prior to publication:

Local Member(s):N/A

Other members: n/a

Appendix 1 – KPI Chart



Appendix 2

Completed cases and % achieved for KPIs

