

# **Staff & Pensions Committee Pensions Administration Activity and Performance Update**

12 March 2020

## **1. Recommendation(s)**

- 1.1 Note and comment on the latest developments in pensions administration and note the progress made since the last meeting.

## **2. Executive Summary**

- 2.1 This report updates the Committee on key developments affecting pension fund administration and the performance of the Pensions Administration service.

## **3. Annual Benefit Statements**

- 3.1 As at 31st January, 89% of annual benefit statements had been issued. Of the remaining 11% (3,719), 77% (2,846) could not be issued because the Pensions Administration service does not hold a current address for the member. It has been necessary to report this to The Pensions Regulator (TPR), and the Pensions Administration team is in regular correspondence with TPR to report plans and progress.
- 3.2 By the date of the Committee meeting the service expects to have appointed a tracing service to try to identify the whereabouts of deferred members whose addresses are out of date, in order to issue their annual benefit statements.

## **4. Governance Review Action Plan**

- 4.1 In order to ensure that the service is complying with TPR's Code of Practice, it recently commissioned an independent expert to undertake a governance review. An action plan has been prepared to respond to the review's recommendations, and to recent audit recommendations and other ongoing improvement activity.
- 4.2 The consolidated Action Plan includes 54 individual actions, of which 23 have been completed. It has been RAG rated by senior managers within the service

with activities deemed highest priority or time-critical rated Red, in order that resources can, in the first instance, be directed to those activities which are needed to ensure sound governance through compliance with TPR's Code of Practice and/or are time critical. The Action Plan has been organised according to the categories of the Code.

4.3 Appendix B shows how work to implement the Action Plan has been prioritised and summarises progress.

## 5. Performance

5.1 The Pensions Administration service monitors a number of KPIs in line with TPR's recommended practice. The table below shows current performance against these indicators in 2019/20 to date.

**Table 2: KPI Performance 2019/20 To Date**

Performance Indicator	Target	Actual To Date	Comments and Actions
Retirements Lump Sums paid within 30 days of retirement	100%	60%	Employers who notify Pensions after retirement has taken place and provide final salary details when monthly payroll has been completed create a logistical challenge for this KPI target.
Retirements Lump Sums paid within 10 days of receiving all relevant paperwork	100%	85%	SLAs are being rolled out to all Employers which will specify the requirement and deadlines for providing notification of retirements. This should help to improve the timeliness of employer data submissions, and consequently performance against these KPIs.
Death grants paid 10 days of receiving paperwork	100%	84%	Note Death Grant performance is easily skewed due to lower volumes.
Refunds processed within 10 days of receiving paperwork	100%	95%	
Transfers paid within 10 days of receiving paperwork	100%	51%	
Deferred benefits calculated and notified within 10 days of receiving paperwork	100%	90%	
Scheme employer contributions received by 19 <sup>th</sup> of the month following deduction	100%	96%	Plans for an improved process for employers to submit monthly data and the strategic implementation of the "IConnect" project for employer self-service are intended to improve and maintain this KPI.
Scheme employer monthly returns received by 19 <sup>th</sup> of the month following deduction	100%	84%	

## 6. Breaches

6.1 As referred to in section 3.1, the service was unable to issue 100% of Annual Benefit Statements by the required deadline, and this had to be reported to TPR as a breach. Regular updates on delivery of the action plan to respond to

breach are being provided to TPR, and a 3rd party provider has been engaged to trace members where the Fund does not hold up-to-date contact information for members.

- 6.2 In accordance with TPR's Code of Practice, breaches have to be categorised as Red, Amber or Green. Only red breaches are reportable to TPR.
- 6.3 Most Green breaches are due to late submission by employers of monthly data or monthly contributions. These types of breaches will be escalated to Amber if data or contributions are submitted:
- More than 1 week late on more than 3 occasions in 1 year
  - More than 5 weeks late on one occasion
- 6.4 Where such a breach has been escalated to Amber, direct contact will be made with the employer to remind them of their obligations under the Code of Practice and to work with them to resolve outstanding issues. Performance will be kept under close review to ensure improvements are made and sustained, and interest charges will be levied on late payment, in accordance with the new Pensions Administration Strategy. Continued poor performance will be escalated to a red breach and reported to TPR if they are deemed to meet the relevant criteria.

## **7. Other Employer Issues**

- 7.1 There are currently two employers where the Fund has been experiencing issues due to delayed payments. There are, however, distinct differences in how the arrears have arisen.

### ***Employer 1***

- 7.2 The Fund had a number of small community employers who were struggling to service their deficit payments. The Fund approached the County Council to see if an exit agreement could be reached with these employers. The County Council had either counter-signed an admission agreement for these employers or had agreed to their admission by way of the Social Services Committee previously.
- 7.3 An agreement was reached and all but one of the employers exited on an ongoing basis rather than on a gilts assessment.
- 7.4 The remaining employer had previously struggled to fund deficit payments whilst in the Fund. The sum outstanding to exit the fund and clear remaining invoices is £993k but the employer has significant financial challenges. The Fund is liaising with the County Council to attempt to resolve the issue and is awaiting a response. The employer stopped accruing further liabilities when they withdrew access to the LGPS for their remaining members

## **Employer 2**

- 7.5 This employer has not been paying deficit payments recently. When approached by the Fund, the Director of Finance for the employer agreed to make payments but subsequently failed to do so. The sum due is £79k. Further payments will be due for the final three months of the year totalling another £47k.
- 7.6 Officers have taken steps to assist the employer and at the request of the employer, changed to invoicing monthly rather than quarterly. However, this has not resolved the issue.
- 7.7 The Fund is exploring Legal and Regulatory options as to how to address this issue.

## **8. Financial Implications**

- 8.1 As set out in the body of this report.

## **9. Environmental Implications**

- 9.1 None

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

- 10.1 None

## **Appendices**

1. Appendix 1 – Summary of Governance Action Plan

## **Background Papers**

1. Pensions Administration Update report to Staff and Pensions Committee, 9<sup>th</sup> December 2019

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

Local Member(s):

Other members: