

# Staff and Pensions Committee

8<sup>th</sup> June 2020

## Pensions Administration and Performance Update

### Recommendation(s)

The Committee is asked to:

1. Note this report.
2. Approve the adoption of the amended key performance indicators set out at Appendix 2.

### 1. Executive Summary

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

### 2. Governance Action Plan

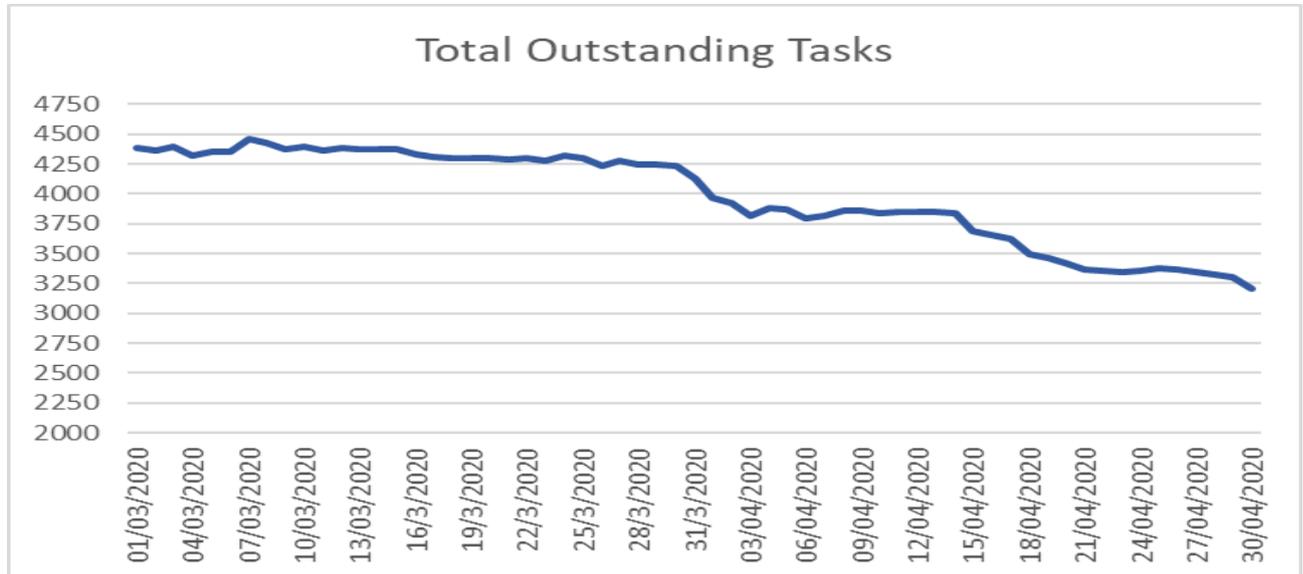
- 2.1. Further progress has been made with the Governance Action Plan. In particular, a further seven actions have been completed. The summary update is enclosed as Appendix 3.

### 3. Audit

- 3.1. All requirements of the PAS have been completed in good time for the External Audit work being undertaken as part of the closure of the 2019/20 accounts. The team is ready to respond to any further testing queries for the final audit, subject to the impact of COVID-19 on timing.
- 3.2. Field work for an Internal Audit of PAS as part of the 2019/20 Internal Audit Plan has been completed and a draft report issued. The Management Response is in progress and a copy of the final report will be shared with the Committee.
- 3.3. Work in progress to document processes, procedures and controls as part of an Administration Manual will help significantly in addressing the Internal Audit findings.

### 4. Workloads

4.1. The PAS has been focussing on reducing work volumes and the chart below shows the excellent progress made since the beginning of March. This has been achieved through a combination of more effective procedures and the introduction of productivity targets.



## 5. Pensions Increase

5.1. The statutory requirement to update all eligible pensions in line with the Pension Increase of 1.7% on 6th April 2020 has been completed. A formal project governance and great collaboration with the payroll team brought significant benefit to the exercise. Of particular note was a new dedicated phone line managed by the customer service team which will capture volumes and call types, record calls and answer queries about Pensions Increase by a specialist team. This will allow us to collate query data for the first time which we plan on using to improve communications with our members.

## 6. Year End

6.1. Annual Returns from employers are due to be completed and sent back to PAS by the 30 April 2020. PAS then update all employees' records on the Altair pensions system, to include the career average revalued earnings (CARE) and contributions that each individual has paid. The process generates validation queries that then need to be queried and resolved by the employer.

6.2. As at 5 May 2020, 116 employers have submitted an Annual Return out of 193 total expected.

- 6.3. Of the 116 returns received, 40 have been uploaded and completed on Altair. The follow-on stage from employer submissions is validation checks. This creates many queries to resolve with employers over the integrity of the data submitted.
- 6.4. Delays with submission of data and any subsequent resolution of queries increases the risk of not producing Annual Benefit Statements by the statutory deadline of 31 August 2020 and Pensions Savings Statements by 6 October 2020. The critical path for the project requires data updates to be completed by the 18 July 2020 to ensure Annual Benefit Statements are produced.
- 6.5. Delays due to COVID-19 increase the risk that the Fund will not be in a position to provide Annual Benefit Statements and Pensions Savings Statements by the regulatory deadlines. The timeline for production of Annual Benefit Statements is shown in Appendix 1.
- 6.6. PAS Officers have been proactively engaging with the employers and their suppliers prior to, and after, the 30 April deadline. For remaining outstanding returns, a follow up communication was sent on 7 May with direct phone calls planned for the week of 11 May. Any remaining returns will be escalated to the Assistant Director of Finance to connect with peers at the outstanding employers.

## **7. Recruitment**

- 7.1. The Pensions Administration Team consists of 23 members of staff. Since the last report, investment in the team has meant the recruitment of one additional Team Lead, and four Pension Assistants. These changes will improve the service resilience and performance for the Fund to achieve the objectives stated in the Administration Strategy.
- 7.2. The skills and experience of individual teams have also been analysed, ensuring that appropriate skills and knowledge are distributed optimally.
- 7.3. There has been a positive impact on the amount of workload completed by the team since January 2020 as our daily reporting figures have progressively decreased from 4937 to 3176.
- 7.4. Due to COVID-19 lockdown, the PAS responded superbly with mobilisation to working remotely and process improvements to maintain the service to our members and employers and in particular, ensure payments are made on time.
- 7.5. Historic processes which involved paper and post have been converted to digital processes to maintain and improve our service to customers. The team are now fully able to work and communicate electronically. Whilst a paper trail still exists, over time we intend to keep the new digital ways of working as our primary method of exchange and expect use of paper and post to decline.

7.6. Focused effort has been invested in the documentation and training of our process relating to death benefits, in anticipation of a rise in the number of death cases we receive.

7.7. Overall the position of the Pensions Administration Team has gone from strength to strength over the past few months, the team have taken on new challenges and there is now a positive sense of confidence and commitment from the team.

## 8. Training

8.1. Training within the Pensions Administration Team is now a firmly established process as part of building strength in depth and resilience. Training has been accessed and delivered in various ways due to the current working conditions.

8.2. All members of the PAS have completed mandatory e-learning courses during the last couple of months as the foundation for future learning. The courses completed are Data Protection, Anti-Fraud, Customer Service, Information Security, and Complaints Handling. All progress has been verified by their line managers.

8.3. In addition, a further 22 modules of pensions technical training have been delivered on a variety of LGPS benefits topics, and process guides have been created to use as training tools for new members of staff. This has been a great success for the PAS and has encouraged consistency across all teams.

8.4. Training plans have been designed to ensure all new members of staff are trained on all processes within pension services. Applying this approach to train staff members has encouraged the team to work collaboratively.

## 9. Key Performance Indicators

9.1. The table below shows the full year performance against the agreed indicators in 2019/20.

Performance Indicator	Target	2019/20 full year	Comments
Retirements Lump Sums paid within 30 days of retirement	100%	32.34%	Timing of employer notification is the single biggest cause for this result.
Retirements Lump Sums paid within	100%	98.56%	This excellent result evidences

10 days of receiving relevant paperwork			the comment above.
Death grants paid 10 days of receiving paperwork	100%	85.27%	Results are skewed due to relatively low volumes.
Refunds processed within 10 days of receiving paperwork	100%	95.27%	
Transfers paid within 10 days of receiving paperwork	100%	69.48%	89.13% for the last 4 months
Deferred benefits calculated and notified within 10 days of receiving paperwork	100%	88.44%	
Scheme employer contributions received by 19th of the month following deduction	100%	90%	The Strategic plan to implement IConnect will maintain and improve these KPIs
Scheme employer monthly returns received by 19th of the month following deduction	100%	85%	

## 10. New Key Performance Indicators

10.1. The current KPIs were agreed to ensure focus on priority areas of service. With actions completed and progress made, the KPIs have been reviewed and assessed against prevailing needs and current industry standard KPIs. A number of differences and gaps have been identified, and in summary the industry standard KPIs are the most appropriate measures for the Fund to adopt. The Committee is therefore asked to approve the adoption of the amended KPIs set out in Appendix 2.

10.2. Subject to the Committee's approval, the PAS is confident it is able to report consistently against the industry standard KPIs ongoing and will adopt and report on them from April 2020. The first set of performance figures will

be available for the Local Pensions Board on 21 July 2020 and for the Staff and Pensions Committee on 14 September 2020.

- 10.3. Appendix 2 shows the propose new KPIs to be reported at future meetings. It should be noted that for some processes, the industry standard target is above current performance and the service will advise a trajectory for the performance to reach the target over a realistic timeline.
- 10.4. There are two additional KPIs to the industry standards: one being how many days past retirement date on average it takes for a member to be paid their lump sum; and the second being payment of a death grant within 10 days of receiving all documentation. The PAS feel these are important measures of member experience that the Fund will be interested in.
- 10.5. For all regulatory performance indicators, the target for service level would be 100% and for all non-regulatory measures, the target for service would be 95%. The reporting period for KPIs will be changed to monthly and reporting will show trends as experience data accumulates.

## **11. Annual Benefit Statements**

- 11.1. Fortnightly, constructive engagement with tPR happens to progress the remaining Annual Benefit Statements from 2019. As at 1<sup>st</sup> May 2020, 91% of statements have been issued. Of the remaining 9% (3,093), 92% (2,846) cannot be issued until an up to date address is found. Appointment of a third-party tracing agency is in progress.
- 11.2. The statutory requirement of Annual Benefit Statement 2020 project is currently underway. The first batch of Annual Benefit Statements to deferred members is planned for the 2<sup>nd</sup> June 2020 and the active Annual Statements will be sent to members on the 14<sup>th</sup> August 2020. The PAS is hoping to use the tracing results to improve the total statements issued on 14<sup>th</sup> August 2020.
- 11.3. A formal project has been established, supported by senior officers as an action to improve the governance of this regulatory requirement.
- 11.4. The risk of delay with data submissions from employers due to COVID-19 increases the likelihood that Annual Benefit Statements will not be sent to scheme members by the 31 August regulatory deadline.
- 11.5. The service is also taking the opportunity to use the communications as its first notice to members that the service will become increasingly a digital service.

## **12. Data Quality**

- 12.1. Following the industry-wide cessation of contracting-out in April 2016, the Fund has been liaising with HMRC to reconcile membership information. This is commonly referred to as “GMP Reconciliation”. It has been a slow and long project for most UK pension funds. HMRC have sent the final data cut for the GMP Reconciliation and work can now progress with our Actuary, Hymans, who have been supporting us through this project.
- 12.2. PAS is currently in the process of reconciling pensioner membership and benefits information between pension and payroll systems. Results will be presented at a future meeting.
- 12.3. Work is in progress to analyse data quality against the Pensions Regulator Common and Scheme Specific recommendations. Results will be presented at a future meeting.

### 13. Breaches

- 13.1. Annual Benefits Statements are to be issued by 31 August each year to eligible members. This is a Regulatory deadline and the Fund reported a breach of the 2019 deadline to the Pensions Regulator. Progress resolving this breach has been noted in this report in 12.1.
- 13.2. A new Breaches Policy was approved by Staff and Pensions Committee at its meeting in December 2019. The PAS has extended the data it captures to enable reporting against the new Breaches policy. The starting point for data is January 2020.
- 13.3. All of the recorded breaches from January 2020 relate to the late submission of data or contributions by employers. Where an employer submits more than one week late on more than three occasions in one year, or more than five weeks late on one occasion, then a Green breach is escalated to Amber.
- 13.4. The table below summarises breaches to date in 2020:

	Amber Breach	Green Breach	No Breach	Total
Number of Employers	81	12	100	193

- 13.5. In accordance with the Breaches Policy, the Amber breach employers have been escalated to the Assistant Director of Finance who has sent communications to employer contacts in order to support resolution of the issues.

### 14. Employer update

- 14.1. Organisational change across the employers within the Fund continues to be busy and frequently changing. The points below summarise changes.
- 14.2. Kingsway School has amended its academy conversion date to 1st September 2020 and Lillington School has amended its date to 1st July 2020.
- 14.3. Wootton Wawen and All Saints schools are proposing to convert on 1st September 2020 but this is not yet confirmed.
- 14.4. An employer may apply to the Fund with a potential backdated notice to 1 January 2020. The application is progress, including getting the Admission Agreement in place. Due to potential commercial sensitivity, the employer is not named here.

## 15. Financial implications

- 15.1. There are no financial implications for the Committee to note, additional to those included in the body of the report.

## 16. Environmental Implications

- 16.1. There are no environment implications for the Committee to note within this report.

## Timescales associated with the decision and next steps

The Committee is asked to approve the adoption of the amended key performance indicators set out at Appendix 2.

## Appendices

1. Appendix 1 – End of Year and Annual Benefit Statement timeline
2. Appendix 2 – Template for new KPIs from April 2020
3. Appendix 3 – Governance Action Plan Summary

## Background Papers

No background papers.

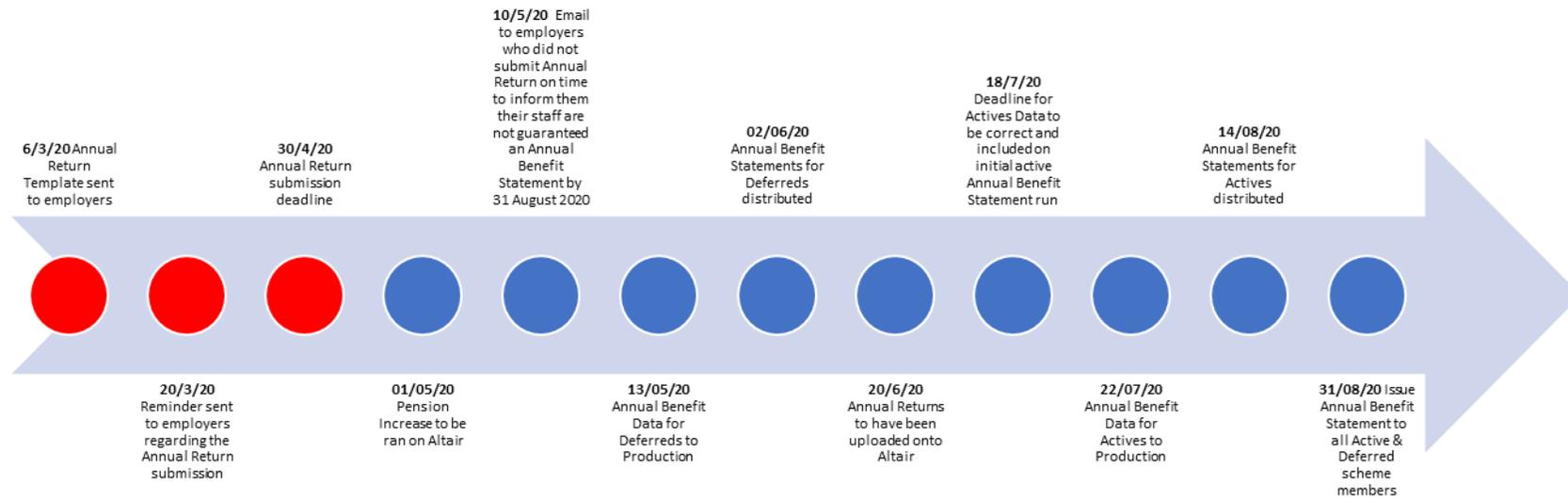
	<b>Name</b>	<b>Contact Information</b>
Report Author	Andrew Marson	andrewmarson@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	Robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s): None

Other members: Councillors Kaur, Gifford and Dirveiks

## Appendix 1 – End of Year and Annual Benefit Statement timeline



Scope at 31 March 2020:

196 Employers

16,000+ Actives

18,000+ Deffereds

Employer  
Responsibility

Fund  
Responsibility

## Appendix 2 – Template for new KPIs from April 2020

Key Performance Indicator	Fund Target (95% service level)	Legal Target (100% service level)
Letter Detailing transfer in quote	10 days	2 months
Letter detailing transfer out quote	10 days	2 months
Process and pay a refund	10 days	2 months
Letter notifying estimate of retirement benefits (Active)	15 days	2 months
Letter notifying actual retirement benefits (Active)	15 days	2 months
Process and pay lump sum (Active)	10 days	2 months
Process and pay lump sum (Deferred)	10 days	2 months
Initial letter notifying death of a member	5 days	2 months
Letter notifying amount of dependents benefits	10 days	2 months
Divorce quote letter	45 days	3 months
Divorce settlement letter	15 days	3 months
Send notification of joining scheme to member	40 days	2 months
Deferred benefits into payment	15 days	2 months
Calculate and notify deferred benefits.	30 days	2 months
Average days from retirement to payment of lump sum.	Measure member experience	Measure member experience

### Notes:

1. Days are working days only.
2. Payments relate to sending payment, not receipt in member account.
3. Service Levels commence when PAS have full and accurate information to process the case.

### Appendix 3 – Governance Action Plan Summary – Update @ 5<sup>th</sup> May 2020

The Pensions Regulator Code of Practice 14	Complete	Red	Amber	Green	Notes
Knowledge & Understanding	5	1	1	0	Training logs being maintained and training opportunities circulated to Board Members. 2 training days scheduled for 2020 (will need to be rescheduled due to Covid19). Training Needs Analysis underway and will inform content of training days. Training for new Board member can't be completed until they are appointed.
Conflicts of Interest	1	0	0	0	LPB Policy approved at SPC March 2020
Publishing Information	0	2	0	0	LPB Terms of Reference review was deferred to July 2020 meeting and will move to completed once approved by Council. ESG Policy was approved by PFISC in March 2020.
Managing Risks	3	1	0	3	Risk register now being reviewed at each LPB meeting. Managed handover of work to permanent Pensions and Investment Manager and Pensions Delivery Lead.
Record Keeping	7	3	5	1	Approval of Admin Strategy and subsequent training for Employers will help to ensure they understand and are carrying out their roles and responsibilities. Project Full Business Case submitted for approval. Aim is to roll out in 3 phases starting in October 2020.
Maintaining Contributions	9	0	1	1	New Admin Strategy and subsequent training to communicate and improve performance of employer obligations, roles and responsibilities.
Providing Information to Members	0	0	0	0	Governance requirements being met.
Internal Dispute Resolution	0	0	0	0	Governance requirements being met.
Reporting Breaches	7	1	0	0	Breaches Policy in place and breaches log maintained and reviewed regularly. Training completed for Pensions Admin Staff. Employers to be reminded of their responsibilities regarding breaches via new Admin Strategy and related training. Training/workshops have been delivered by Actuary to employees at risk of exceeding allowance thresholds, and project plan is in place for managing 2020 Annual Allowance process.
Developing Areas	2	0	0	0	RI/ESG/Climate Change policy approved at PIFSC March 2020
	34	8	7	5	
<b>Total Actions</b>				<b>54</b>	

