

# **Warwickshire Local Pension Board**

## **Administration Activity and Performance Update**

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

- 1.1. The Local Pension Board is asked to 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 Local Pension Board on key developments affecting pensions administration and the performance of the Pension Administration Service (PAS).

### **3. Governance Action Plan**

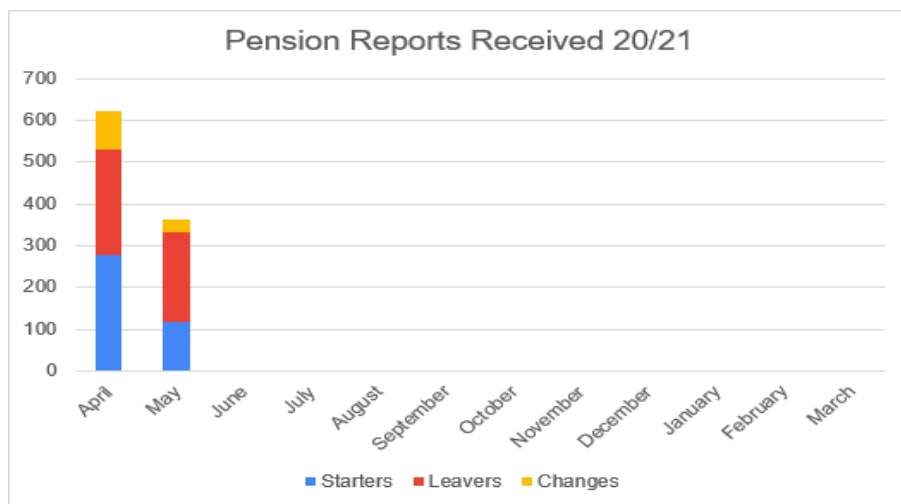
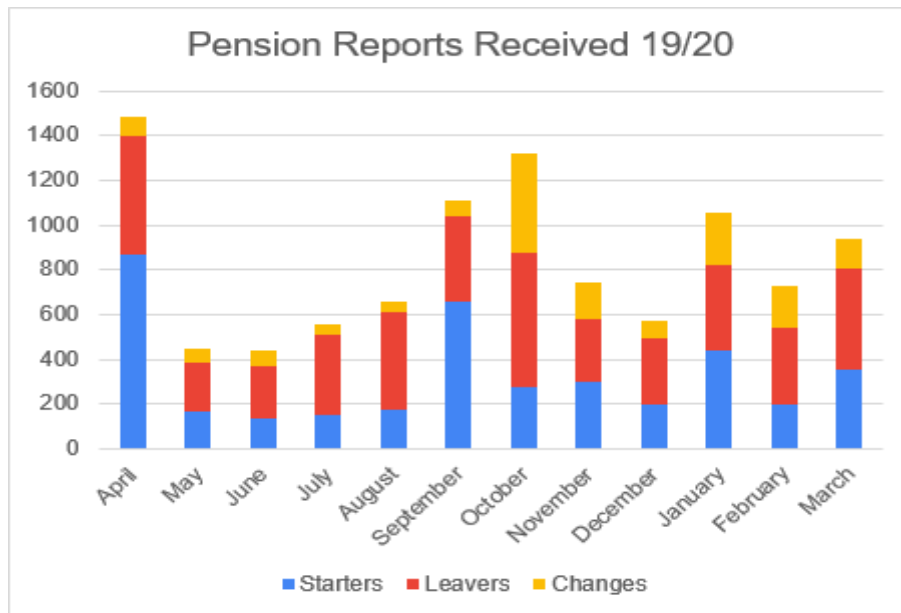
- 3.1. Further progress has been made with the Governance Action Plan, with a further 10 actions completed. The summary update is enclosed as Appendix 1.
- 3.2. Work continues the analysis and allocation of pensions administration costs. Good progress has been made on identifying the true costs and expenses, using a zero-base approach. Further investigations are underway to ensure consistency of allocation in line with CIPFA guidelines and general practice, and potential areas for efficiencies.

### **4. Audit**

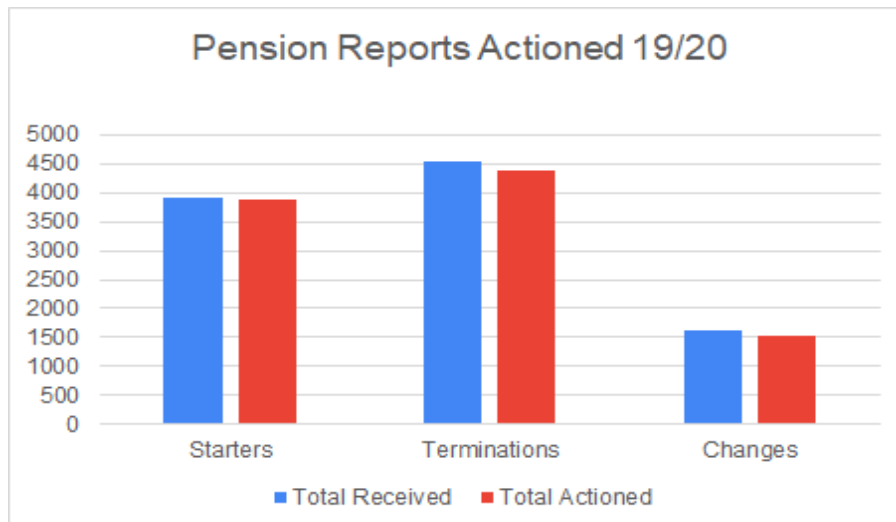
- 4.1. All requirements of the Pensions Administration Services (PAS) have been completed for the External Audit work being undertaken as part of the closure of the 2019/20 accounts. The team is ready to respond to any further testing queries for the final audit.
- 4.2. Field work for an Internal Audit 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 Local Pension Board once it has been considered by Staff and Pensions Committee. Work in progress to document processes, procedures and controls as part of an Administration Manual will help significantly in addressing the Internal Audit findings which is now live and being enhanced in line with ongoing service improvement plans.
- 4.3. The previous Internal Audit report is due to be submitted to Audit & Standards Committee on 20<sup>th</sup> July 2020. The plan remains to share the report with LPB afterwards.

### **5. Payroll Update**

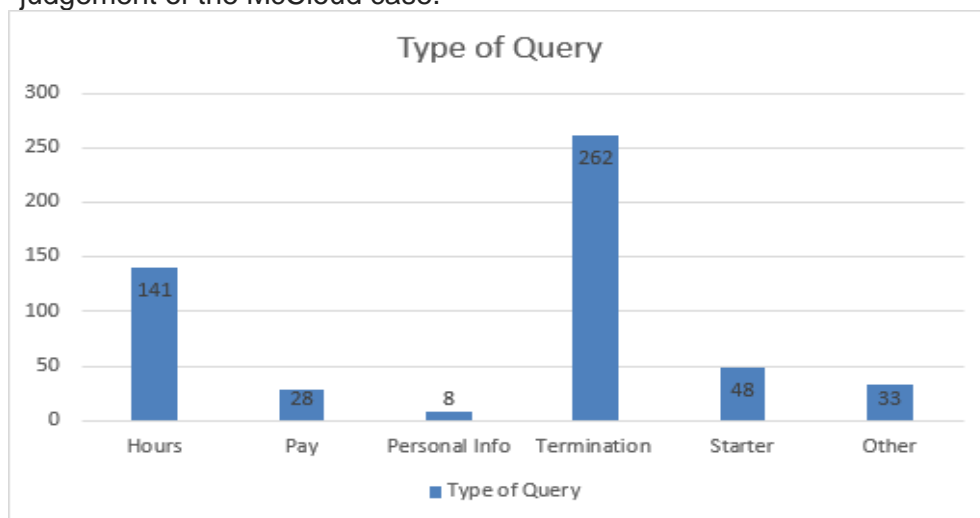
- 5.1. Reports are automatically sent on a monthly basis by Warwickshire County Council Payroll. The charts below show the volume of pension reports split between Starters, Leavers and Changes since April 2019.



- 5.2. The chart below shows the total amount of records that have been actioned by the PAS relative to what has been received. The PAS have managed to clear 97.23% of the reports sent through for 2019/20. The raising and resolution of queries is being done in a timely manner and work in progress volumes have significantly improved to a steady state position.



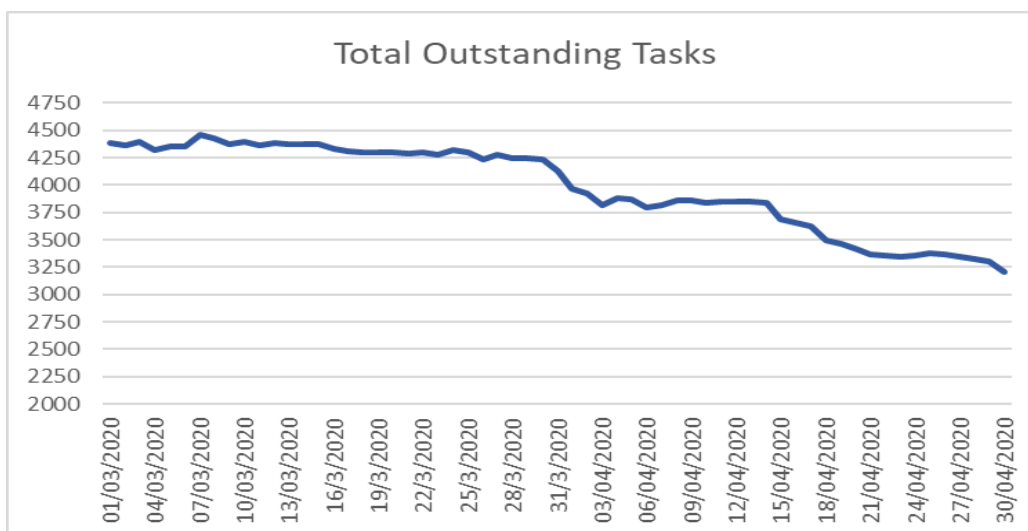
The monitoring has been extended to include the type of query raised. This should give an indication of the data that the Pension Fund holds and where it could be improved. The chart below shows a significant volume of queries are due to the hours that we hold on Altair compared to employer submissions. An action has been added to a forward plan to reconcile the hours held on YourHR and Altair pension system in readiness for expected work as a result of the age discrimination judgement of the McCloud case.



5.3.

## 6. Workloads

- 6.1. The PAS has been focussing on reducing work volumes and the chart below shows the excellent progress made since the beginning of March, through a more effective procedures and the introduction of productivity targets. As at 7<sup>th</sup> June, the total work outstanding had been reduced by 50% to 2,542 compared to the numbers at the end of January. This figure is expected to take an upward turn for a period as a spike in tasks is generated from annual returns.



- 6.2. Due to the current situation with Covid19 we have started to track our reported death cases each month against our data for last year. This will enable us to move resources around the team should our work increase to such an extent that current staff will not be able to meet service standards.

Death Cases	2019	2020
March	27	28
April	31	84
May	32	35

## 7. Pensions Increase

- 7.1. 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 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. Actual call volumes have been extremely low, indicating an accurate exercise with clear communications.

## 8. Year End

- 8.1. Annual Returns from employers were due to be completed and returned 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 everyone has paid. The process generates a high volume of validation queries that then need to be queried and resolved by the employer.
- 8.2. As at 9 June 2020, 191 employers have submitted an Annual Return out of 193 total expected. In turn, the two returns outstanding are a very small number of members. Work is ongoing to engage with employers.
- 8.3. Following validation checks, the PAS is now engaged in resolving queries with employers over the integrity of the data submitted. These queries need to be

resolved by 18 July to avoid the risk of missing the 31 August 2020 deadline for issuing Annual Benefit Statements (ABSs) and 6 October 2020 deadline for issuing Pension Saving Statements. ABSs for deferred members have already been issued, well ahead of the statutory deadline.

- 8.4. Delays due to COVID-19 increase the risk of delay in issuing Annual Benefit Statements and Pensions Savings Statements by the regulatory deadlines, due to the PAS's ability to engage with employers. The timeline for production of Annual Benefit Statements is shown in Appendix 2.

## 9. Recruitment

- 9.1. All posts within the PAS are now filled. These changes will improve the team's resilience and performance and has already resulted in a positive impact on the workloads (see section 6).
- 9.2. Following the 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, ensure payments are made on time.
- 9.3. 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.
- 9.4. 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.

## 10. Key Performance Indicators

- 10.1. 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 10 days of receiving all relevant paperwork	100%	98.56%	This excellent result evidences 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	100%	85%	

following deduction			
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## **11. New Key Performance Indicators**

- 11.1. The 2019/20 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 Staff and Pensions Committee meeting on 8 June 2020 approved the adoption of the amended KPIs set out in Appendix 2.
- 11.2. The PAS is confident it can report consistently against the industry standard KPIs ongoing and will adopt and report on them from April 2020. The first set of performance figures are set out in Appendix 2.
- 11.3. Appendix 2 shows the new KPIs. 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. Reasons for this include a dampening effect caused by aged tasks that are being completed through the productivity improvement, and for some KPIs e.g. death cases, the performance is affected by low volumes.
- 11.4. 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.
- 11.5. 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.

## **12. Annual Benefit Statements**

- 12.1. The Board will recall that a breach was reported to The Pensions Regulator in 2019 in relation to the percentage of ABSs issued within the statutory deadlines. As at 1<sup>st</sup> May 2020, 91% of statements had 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.
- 12.2. For 2020, ABSs for 16,110 deferred members were issued on 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.

## **13. Data Quality**

- 13.1. HMRC have sent the final data cut for the GMP Reconciliation. Work is being done with our Actuary, Hymans, who have been supporting this project.
- 13.2. PAS is in the process of reconciling pensioner membership and benefits information between pension and payroll systems, and to analyse data quality against the Pensions Regulator Common and Scheme Specific recommendations. Results will be presented at a future meeting.

## **14. Breaches**

- 14.1. The PAS is now monitoring breaches in accordance with the new Breaches Policy, following its approval in January by Staff and Pensions Committee.
- 14.2. All 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.
- 14.3. The table below summarises breaches to date in 2020:

	Red Breach	Amber Breach	Green Breach	No Breach	Total
Number of Employers	0	111	11	72	194

- 14.4. In accordance with the Breaches Policy, employers are being contacted to attempt resolution and the Amber breach employers will follow the escalation policy by sending further communications to employer contacts in order to support resolution of the issues.

## **15. Employer update**

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

## **16. IConnect Project**

- 16.1. Approval was given on 10<sup>th</sup> June to proceed with the IConnect project, which will provide a digital platform to enable employers to upload scheme member data monthly online. IConnect will begin to roll out to employers in the quarter ending 31<sup>st</sup> December 2020.

## **17. Financial implications**

- 17.1. There are no financial implications for the Local Pension Board to note, additional to those included in the body of the report.

## **18. Environmental Implications**

18.1. There are no environmental implications for the Local Pension Board to note.

## Supporting Information

None

## Timescales associated with the decision and next steps

No decisions to be made.

## Appendices

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

## Background Papers

No background papers.

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Lead Director	Strategic Director for Resources	
Lead Member	Portfolio Holder for Finance and Property	

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

Local Member(s):

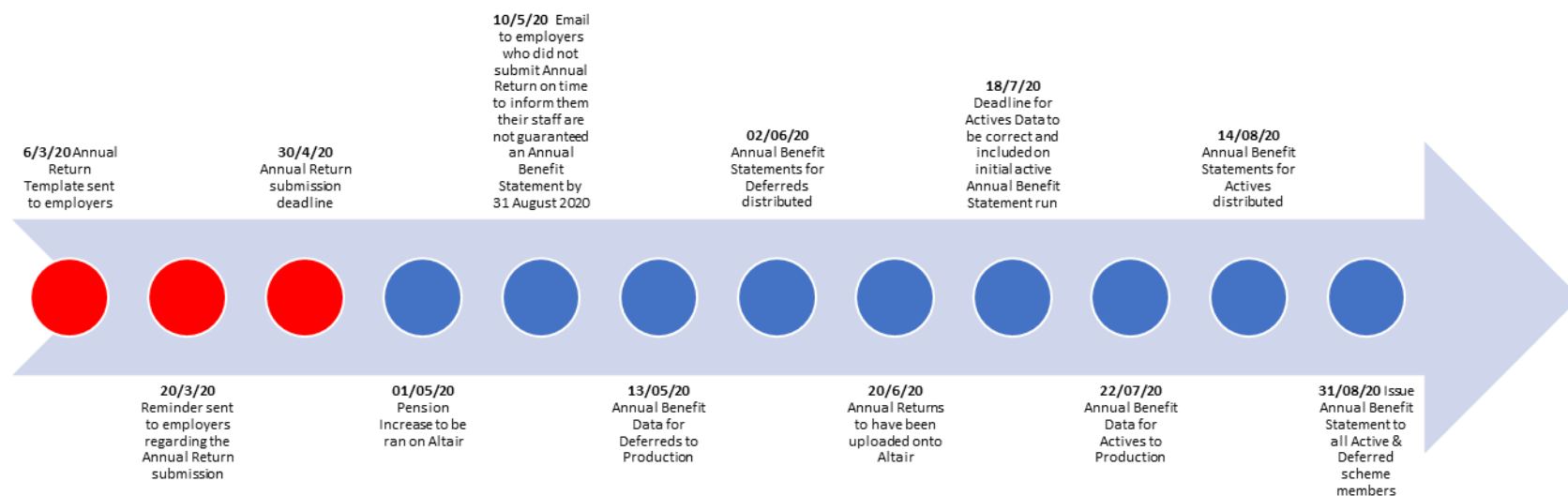
Other members:



## Appendix 1 – Governance Action Plan Summary – Update @ 12<sup>th</sup> June 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	1	1	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	4	0	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	8	2	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
	37	5	7	5	
<b>Total Actions</b>	<b>54</b>				

## Appendix 2 – End of Year and Annual Benefit Statement timeline



Scope at 31 March 2020:

196 Employers

16,000+ Actives

18,000+ Deferreds

Employer  
Responsibility

Fund  
Responsibility

### Appendix 3 – Template for new KPIs from April 2020

Key Performance Indicator	Fund Target (95% service level)	April 2020 Performance on Fund Target	Legal Target (100% service level)
Letter detailing transfer in quote	10 days	83%	2 months
Letter detailing transfer out quote	10 days	82%	2 months
Process and pay a refund	10 days	92%	2 months
Letter notifying estimate of retirement benefits (Active)	15 days	82%	2 months
Letter notifying actual retirement benefits (Active)	15 days	95%	2 months
Process and pay lump sum (Active)	10 days	95%	2 months
Process and pay death grant	10 Days	87.5%	2 months
Initial letter notifying death of a member	5 days	Process started 1 <sup>st</sup> May 2020.	2 months
Letter notifying amount of dependents benefits	10 days	100%	2 months
Divorce quote letter	45 days	100%	3 months
Divorce settlement letter	15 days	No cases	3 months
Send notification of joining scheme to member	40 days	91%	2 months
Deferred benefits into payment	15 days	97%	2 months
Calculate and notify deferred benefits.	30 days	89.5%	2 months
Average days from retirement to payment of lump sum.	Measure member experience	24.6 days	

#### 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.