

Staff & Pensions Committee

Pensions Administration Activity and Performance Update

14 September 2020

Recommendation(s)

1. Staff and Pensions Committee notes this report.

1. Executive Summary

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

2. Financial Implications

- 2.1 All financial implications are dealt with in the main body of the report.

3. Environmental Implications

- 3.1 None

4. Governance Action Plan

Good progress continues to be made in implementing the Governance Action Plan, with 36 actions out of 54 now completed. An updated summary is included at Appendix 1.

5. Annual Benefit Statements

- 5.1 There is a regulatory requirement for the Pensions Administration Service (PAS) to issue all members with an Annual Benefit Statement by 31st August each year.
- 5.2 For deferred members Annual Benefit Statements have already been issued, this is significantly ahead of the deadline. There are 3000 deferred members for whom we do not hold a current home address. A tracing service has been procured which will seek to provide up-to-date addresses for these members. Once addresses have been updated statements will be sent out.
- 5.3 The Service is working towards the regulatory deadline for all active scheme members, and an update of the numbers of statements that have been produced will be confirmed at the meeting.

6. Year End

- 6.1 Annual Returns from employers have been completed. The process generated validation queries that have been referred back to and resolved by the employers.

7. GMP Reconciliation

- 7.1 GMP reconciliation is the process used to ensure that LGPS scheme records agree with those of the National Insurance Contribution Office (NICO, part of HMRC). This enables a scheme to consider its data as clean and reliable.
- 7.2 After some delay, HMRC has now sent final data to Funds to start the reconciliation process with their own records. A project is being established to ensure that data held by HMRC matches that held in both the Pensions and Payroll systems. The results of this exercise will be presented to a future meeting.

8. Key Performance Indicators (KPIs)

- 8.1 At its meeting in June, the Committee approved a new set of KPIs to bring the service in line with industry standard measures and to reflect those listed in our Administration Strategy. Appendix 2 sets out performance against these measures at 31st July 2020.
- 8.2 Where the PAS have not met 95% these will be for KPI's where there is no payment due. KPIs where payments are due are treated as priority. 90% was achieved for payment of all death grants. In May there was only 1 case where this was not paid within the KPI target and this has skewed the figures for this because we do not process a large volume of these cases.

9. Workloads

- 9.1 The PAS has been monitoring the tasks outstanding and completed by the service since the 1 March 2020. The chart at appendix 3 shows the volume of outstanding work across the service and indicates that the service reduced this figure to just 2542 tasks as at the 7 June 2020. This has increased since the deferred annual benefit statements were issued, and end of year returns were actioned, as a result of queries generated. The figure is now starting to reduce again, but we are expecting an increase in the volume in excess of 500 queries again when active annual benefit statements are issued. Appendix 3 shows the total of outstanding tasks up to 31 July 2020.

10. Breaches

- 10.1 In 2019 the Service reported a breach to The Pensions Regulator (tPR) relating to the failure to meet the regulatory deadline for issuing Annual Benefit Statements to members. Following close collaboration with tPR on resolution of this breach, it has now been confirmed that this can be closed.
- 10.2 All recorded breaches this year 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. Table 1 below summarises the number of employer breaches to date for 2020/21:

Table 1: Breaches 2020/21	Red	Amber	Green	None	Total
Number of Employers	0	100	21	73	194

- 10.3 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.
- 10.4 With the implementation of the new i-Connect system it is anticipated that the number of breaches will reduce significantly.

11. i-Connect

- 11.1 The i-Connect project will provide a digital platform for employers to submit monthly member data on-line. This is an automated process, and should therefore remove the issue of late submissions, which is a key cause of employer breaches.
- 11.2 The project is progressing well, with governance arrangements in place, a contract with i-Connect for the provision of the software nearing completion, and an employer communication and engagement plan in place. Rollout to the first tranche of employers is expected to start in the third quarter of the financial year.

12. McCloud / Sargeant Remedy

- 12.1 Papers elsewhere on this agenda address the current government consultation regarding the remedies relating the McCloud / Sargeant age discrimination case.
- 12.2 Whilst the final remedies are subject to the outcomes of the consultation, their implementation will be a significant piece of work for the Pensions Administration Service, with an estimated 25% of members being in scope. Planning is underway to manage this project which will involve the following:

- Identification of members of LGPS and Fire Pensions Scheme who are in scope;
- Obtaining member data from employers;
- Calculation of retrospective underpin;
- Communication with scheme members;
- Payment of backdated benefits; and
- Rectification planning.

12.3 Further reports will be brought back to the committee as work progresses.

13. Employers Leaving and Joining the Fund

13.1 A report is included elsewhere on the Committee's agenda providing details of employers leaving and joining the Fund.

14. Timescales associated with the decision and next steps

14.1 None.

Appendices

Appendix 1 – Governance Action Plan Summary, updated 7th August 2020

Appendix 2 – Key Performance Indicators at 31st July 2020

Background Papers

Pensions Administration and Performance Update. Staff and Pensions Committee, 8th June 2020

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

Local Member(s): None

Other members:

Appendix 1: Governance Action Plan Summary, Updated 7th August 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	2	0	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
	36	6	7	5	
Total Actions				54	

Appendix 2: Key Performance Indicators at June 2020

Key Performance Indicator	Fund Target (95% service level)	May 2020 Performance on Fund Target	June 2020 Performance on Fund Target	Cumulative
Letter detailing transfer in quote	10 days	94.34%	88.09%	91%
Letter detailing transfer out quote	10 days	90.62%	89.19%	90%
Process and pay a refund	10 days	89.29%	97.06%	93%
Letter notifying estimate of retirement benefits (Active)	15 days	97.33%	94.23%	96%
Letter notifying actual retirement benefits (Active)	15 days	94.74%	100%	97%
Process and pay lump sum (Active)	10 days	94.74%	95.00%	95%
Process and pay death grant	10 Days	80.00%	100%	90%
Initial letter notifying death of a member	5 days	90.91%	83.33%	87%
Letter notifying amount of dependents benefits	10 days	87.56%	89.23%	88%
Divorce quote letter	45 days	100%	100%	100%
Divorce settlement letter	15 days	No cases	No Cases	No cases
Send notification of joining scheme to member	40 days	98.74%	98.55%	99%
Deferred benefits into payment	15 days	97.78%	97.67%	98%
Calculate and notify deferred benefits.	30 days	91.16%	98.13%	95%
Average days from retirement to payment of lump sum.	Measure member experience	38.8 Days	34 Days	Dependant on receipt of information from employer and member

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 Workloads – Outstanding tasks

