

Warwickshire Local Pension Board

Pensions Administration Activity and Performance Update

20 October 2020

1. Recommendation(s)

- 1.1. The Local Pension Board is asked to:
 1. Note and comment on the latest developments in pensions administration and note the progress made since the last meeting.
 2. Consider the government consultation on the reform of exit payments in local government (Section 13 of this report) and provide comments.

2. Executive Summary

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

3. Governance Action Plan

- 3.1. Significant progress continues to be made in implementing the Governance Action Plan, with 50 actions out of 54 now completed. An updated summary is included at Appendix 1.

4. Annual Benefit Statements

- 4.1. 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.
- 4.2. 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.
- 4.3. The Service completed all of the work necessary to issue statements to all active scheme members ahead of the statutory deadline of 31st August. On 10th September the PAS identified that the supplier commissioned to print and

issue these statements had, in error, not sent out 4,989 of these statements. The supplier was contacted immediately and the outstanding statements were issued one day later on 11th September. The supplier has conducted an investigation and has provided WCC with an investigation report, which sets out the cause of the error and the mitigations they are putting in place to ensure this situation does not occur again. The PAS has reported this breach to the Pensions Regulator, who has responded to confirm that no further action is required.

5. Year End

- 5.1. Annual Returns from employers have been completed. The process generated validation queries that have been referred back to and resolved by the employers. (See Section 8).

6. GMP Reconciliation

- 6.1. 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.
- 6.2. 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.

7. Key Performance Indicators (KPIs)

- 7.1. 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 the Administration Strategy. Appendix 2 sets out performance against these measures at 31st July 2020.
- 7.2. 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.

8. Workloads

- 8.1 The PAS has been monitoring the tasks outstanding and completed by the service since 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

deferred members' 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 as a result of active members' annual benefit statements being issued. Appendix 3 shows the total of outstanding tasks up to 21 September 2020, and tasks completed compared to tasks created.

9. Breaches

- 9.1 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.
- 9.2 All recorded breaches except for one 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 28 August 2020 for 2020/21:

<i>Table 1: Breaches 2020/21</i>	Red	Amber	Green	No Breach	Total
Number of Employers	0	104	20	70	194

- 9.3 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.
- 9.4 With the implementation of the new i-Connect system it is anticipated that the number of breaches will reduce significantly.
- 9.5 One further breach, occurring after the 28th August, has been identified which has been discussed in section 4 above, relating to Annual Benefit Statements.

10. Audit Reports

- 10.1 The outcomes of the first 2019/20 internal audit of Pensions Administration, carried out in November 2019 was included in the Internal Audit Annual Report 2019/20, presented to WCC's Audit and Standards Committee on 20th July 2020. This audit received an opinion of Limited Assurance. The recommendations from this audit were incorporated into the Pensions Governance Action Plan, and the majority have now been implemented.

Alongside this, service performance have been reported regularly to LPB since this audit was conducted, to provide assurances that continuous improvement is being made.

- 10.2 The draft opinion on a second audit, was reported to the same Audit and Standards Committee, and gave an improved Moderate Assurance. Recommendations from this audit are being proactively implemented and managed.
- 10.3 The first audit report is available to LPB members on request. The second audit report will be available on request as soon as it has been reported as a final version.

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 The Courts determined that the protections afforded to some members of the Local Government Pension Scheme (LGPS) and other public service pension schemes, following the review by Lord Hutton and introduced in 2014 (for the LGPS and 2015 for other schemes), were age discriminatory and unlawful.
- 12.2 The Government accepted the findings of the Court and has issued a consultation as to how best to amend the LGPS regulations. Appendix 4 sets out the questions asked by the consultation. A response to the consultation has been drafted and will be submitted for Portfolio Holder approval on 28 September 2020.
- 12.3 Whilst the final remedies are subject to the outcomes of the consultation, their implementation will be a significant piece of work for the PAS, 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 who are in scope;
 - Obtaining member data from employers;
 - Calculation of retrospective underpin;
 - Communication with scheme members;

- Payment of backdated benefits; and
- Rectification planning.

12.4 Further reports will be brought back to the Board as work progresses.

13. Changes to Exit Payment Regulations

13.1 The government published a consultation on 10 April 2019 seeking views on reforms to implement a £95,000 cap on exit payments in the public sector. Following consideration of the responses, the Restriction of Public Sector Exit Payments Regulations 2020 have been published in draft and were expected to take effect from January 2021, however they were in fact passed by the House of Lords on 23rd September 2020 and now await the Ministers signature. They will take effect 21 days after they have been signed.

13.2 In addition to placing a cap of £95,000 on exit payments, the Regulations include provision whereby any LGPS member retiring on redundancy grounds with unreduced benefits will receive no discretionary redundancy payment and will have to pay the fund a sum equal to their statutory redundancy payment. To all intents and purposes they receive no redundancy pay. This is the case regardless of pay and the value of the redundancy package, and will therefore impact on all redundancies affecting workers aged 55 and over.

13.3 A further round of consultation was issued on 7 September 2020 seeking views on the effects that the proposals for reform will have on the Local Government Pension Scheme (LGPS) Regulations 2013. In their current form the LGPS Regulations conflict with the proposed Exit Payments Regulations and local authorities would be forced into non-compliance with one or the other.

13.4 WCC will be providing a response to this consultation both as an Employer and as Scheme Manager. The consultation document can be found [here](#).

14. Employers Leaving and Joining the Fund

13.5 An academy is automatically a Scheme Employer on the basis that it meets the criteria of paragraph 20 of Part 1 of Schedule 2 of the Local Government Pension Scheme Regulations 2013 i.e. it is a 'scheduled body'.

13.6 The following schools have applied to become an Academy and as such enter the Pension scheme as an employer in their own right:

- Arden Fields (MacIntyre Academy Trust, 1 September 2020)
- Studley High (becoming Lead Academy in new Multi Academy Trust, 1 September 2020)
- Lillington School (Converting to Academy status, 1 November 2020)
- Trinity Catholic School (Our Lady Lourdes Academy Trust, 1 January 2021)

- All Saints C of E junior School (Coventry Diocese Multi Academy Trust, 1 January 2021)
- Wellesbourne and Tysoe (Converting to joint Academy Trust, April 2021)
- Kingsway Community Primary School (Converting to Academy status, 1 November 2020)

15. Financial Implications

None

16. Environmental Implications

None

17. Supporting Information

None

18. Timescales associated with the decision and next steps

- 18.1 The deadline for responses to the MHCLG consultation on the reform of exit payments in local government is 9 November 2020.

Appendices

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

Appendix 2 – Key Performance Indicators at 31st July 2020

Appendix 3 – Outstanding Workloads

Background Papers

No background papers

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

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

Appendix 1: Governance Action Plan Summary, Updated 7th August 2020

The Pensions Regulator Code of Practice 14	Complete	Red	Amber	Green	Notes
Knowledge & Understanding	7	0	0	0	Training arrangements now in place and ongoing management being picked up as Business As Usual.
Conflicts of Interest	1	0	0	0	LPB Policy approved at SPC March 2020.
Publishing Information	2	0	0	0	LPB Terms of Reference ESG Policy now approved.
Managing Risks	6	0	0	1	Risk register now being reviewed at each LPB meeting. Audit reports are being made available once approved by Audit & Standards Committee. Cyber Security Policy going to LPB for comment October 2020, and to Staff and Pensions Committee in December 2020 for approval.
Record Keeping	13	0	3	0	Administration Strategy approved and subsequent training for Employers completed. I-Connect project underway. Pensions Admin KPIs monitored and managed continuously.
Maintaining Contributions	11	0	0	0	Historical performance issues with WCC Payroll are resolved. New Admin Strategy has been approved and communicated, setting out 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	8	0	0	0	Breaches Policy in place and breaches log maintained and reviewed regularly. Training completed for Pensions Admin Staff. Employers have been reminded of their responsibilities regarding breaches via new Admin Strategy and related training.
Developing Areas	2	0	0	0	RI/ESG/Climate Change policy approved at PIFSC March 2020
	50	0	3	1	
Total Actions	54				

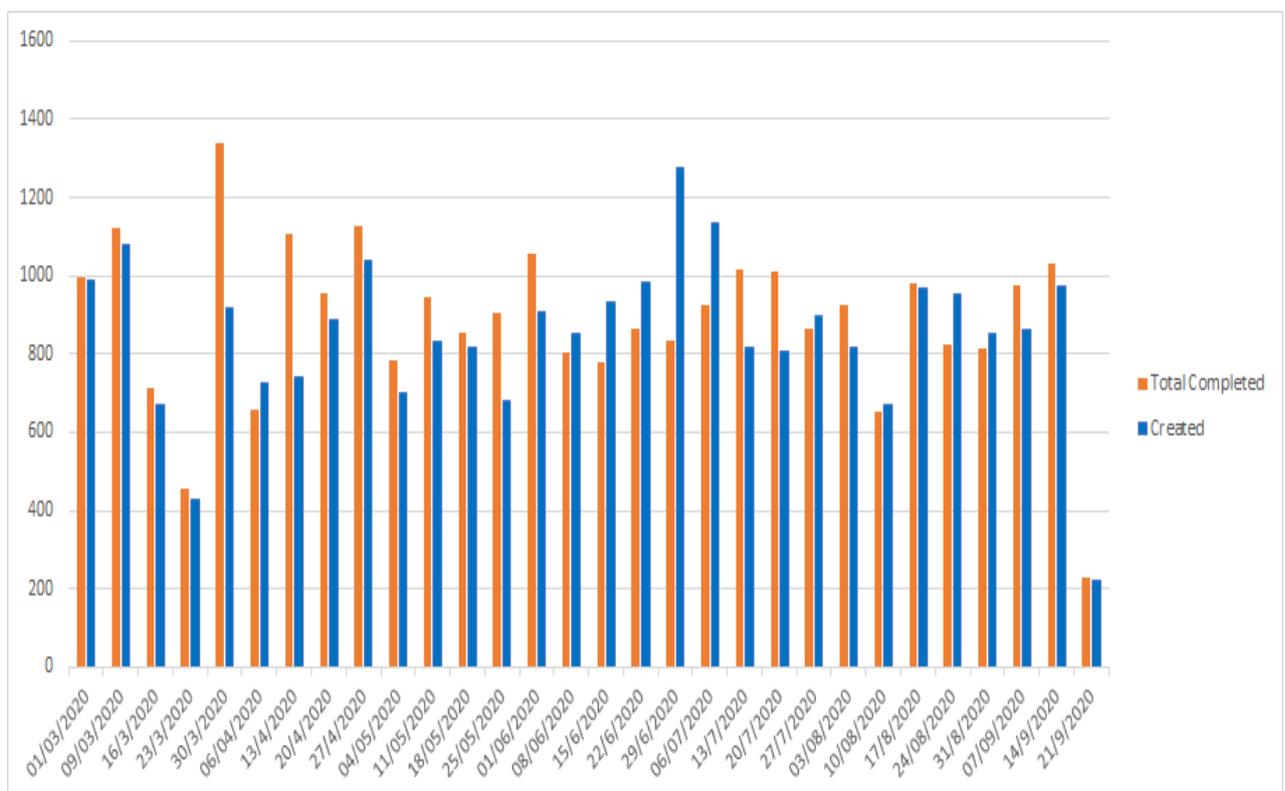
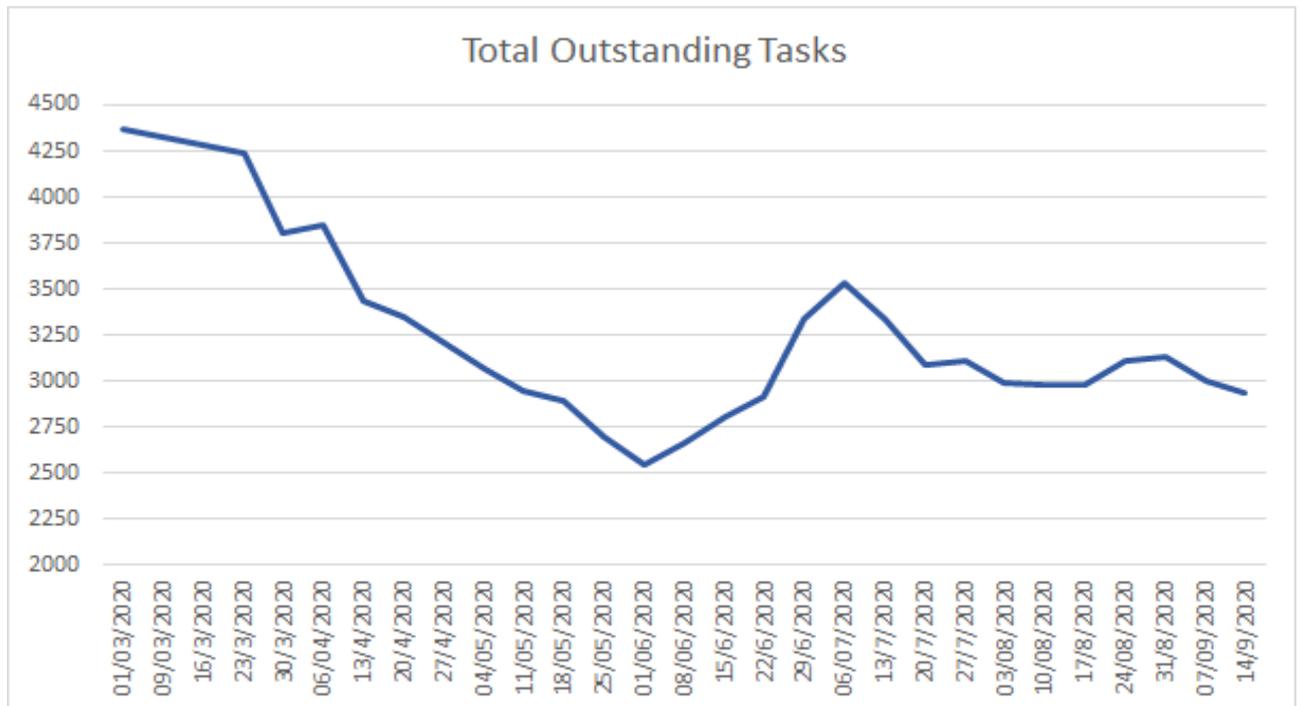
Appendix 2: Key Performance Indicators at August 2020

Key Performance Indicator	Fund Target (95%)	May 2020	June 2020	July 2020	August 2020	Cumulative
Letter detailing transfer in quote	10 days	94%	88%	27%	90%	75%
Letter detailing transfer out quote	10 days	91%	89%	71%	91%	85%
Process and pay a refund	10 days	89%	97%	79%	92	89%
Letter notifying estimate of retirement benefits (Active)	15 days	97%	94%	95%	93%	95%
Letter notifying actual retirement benefits (Active)	15 days	95%	100%	100%	100%	99%
Process and pay lump sum (Active)	10 days	95%	95%	100%	100%	97%
Process and pay death grant	10 Days	80%	100%	91%	100%	93%
Initial letter notifying death of a member	5 days	91%	83%	90%	100%	91%
Letter notifying amount of dependents benefits	10 days	88%	89%	71%	93%	85%
Divorce quote letter	45 days	100%	100%	100%	100%	100%
Divorce settlement letter	15 days	No cases	No Cases	No Cases	No Cases	No Cases
Send notification of joining scheme to member	40 days	99%	99%	98%	96%	98%
Deferred benefits into payment	15 days	99%	98%	98%	97%	98%
Calculate and notify deferred benefits.	30 days	91%	98%	63%	88%	87%
Average days from retirement to payment of lump sum.	Measure of member experience	39 Days	34 Days	34 days	55 days	40.5 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.

Appendix 3: Workloads – Outstanding tasks



Appendix 4: McCloud / Sargeant Consultation

Ministry of Housing, Communities and Local Government Local Government Pension Scheme (England and Wales) Amendments to the statutory underpin July 2020

This document summarises the McCloud consultation questions in respect of the Local Government Pension Scheme. The full consultation document can be found via this [link](#).

Question 1 – Do you agree with our proposal to remove the discrimination found in the McCloud and Sargeant cases by extending the underpin to younger scheme members?

Question 2 – Do you agree that the underpin period should end in March 2022?

Question 3 – Do you agree that the revised regulations should apply retrospectively to 1st April 2014?

Question 4 – Do the draft regulations implement the revised underpin which we describe in this paper?

Question 5 – Do the draft regulations provide for a framework of protection which would work effectively for members, employers and administrators?

Question 6 – Do you have other comments on technical matters related to the draft regulations?

Question 7 – Do you agree that members should not need to have an immediate entitlement to a pension at the date they leave the scheme for underpin protection to apply?

Question 8 – Are there any other comments regarding the proposed underpin qualifying criteria you would like to make?

Question 9 – Do you agree that members should meet the underpin qualifying criteria in a single scheme membership for underpin protection to apply?

Question 10 – Do you agree with our proposal that certain active and deferred members should have an additional 12-month period to decide to aggregate previous LGPS benefits as a consequence of the proposed changes?

Question 11 – Do you consider that the proposals outlined in paragraphs 50 to 52 would have 'significant adverse effects' in relation to the pension payable to or in respect of affected members, as described in section 23 of the Public Service Pensions Act 2013?

Question 12 – Do you have any comments on the proposed amendments described in paragraphs 56 to 59?

Question 13 – Do you agree with the two-stage underpin process proposed?

Question 14 – Do you have any comments regarding the proposed approaches outlined above?

Question 15 – Do you consider there to be any notable omissions in our proposals on the changes to the underpin?

Question 16 – Do you agree that annual benefit statements should include information about a qualifying member's underpin protection?

Question 17 – Do you have any comments regarding how the underpin should be presented on annual benefit statements?

Question 18 – Do you have any comments on the potential issue identified in paragraph 110?

Question 19 – Do the proposals contained in this consultation adequately address the discrimination found in the 'McCloud' and 'Sargeant' cases?

Question 20 – Do you agree with our equalities impact assessment?

Question 21 - Are you aware of additional data sets that would help assess the potential impacts of the proposed changes on the LGPS membership, in particular for the protected characteristics not covered by the GAD analysis (age and sex)?

Question 22 – Are there other comments or observations on equalities impacts you would wish to make?

Question 23 – What principles should be adopted to help members and employers understand the implications of the proposals outlined in this paper?

Question 24 – Do you have any comments to make on the administrative impacts of the proposals outlined in this paper?

Question 25 – What principles should be adopted in determining how to prioritise cases?

Question 26 – Are there material ways in which the proposals could be simplified to ease the impacts on employers, software systems and scheme administrators

Question 27 – What issues should be covered in administrative guidance issued by the Scheme Advisory Board, in particular regarding the potential additional data requirements that would apply to employers?

Question 28 – On what matters should there be a consistent approach to implementation of the changes proposed?

Question 29 – Do you have any comments regarding the potential costs of McCloud remedy, and steps that should be taken to prevent increased costs being passed to local taxpayers?