

**ITEM No ...8.....**

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE  
& PENSION BOARD – 27 JUNE 2022**

**REPORT ON: PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 31  
MARCH 2022**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 180-2022**

### 1. PURPOSE OF REPORT

This report provides information on the recent quarter's operational performance in relation to Pension Administration.

### 2. RECOMMENDATIONS

The Sub-Committee is asked to note the contents of the report.

### 3. FINANCIAL IMPLICATIONS

There are no direct financial implications.

### 4. BACKGROUND

This report focusses on statutory performance and is subject to ongoing development to provide enhanced reporting functionality to improve the quality of information on administration performance and compliance.

### 5. SERVICE SUMMARY

#### 5.1. Summary of Statutory Performance Requirements

The following table summarises the performance of the fund administration against statutory requirements:

| Category                      | B'fwd | Received |       | Completed |       | Statute Days | Average Days |       | C'fwd | Cases beyond statute 31/03/2022 |
|-------------------------------|-------|----------|-------|-----------|-------|--------------|--------------|-------|-------|---------------------------------|
|                               |       | Current  | Prior | Current   | Prior |              | Current      | Prior |       |                                 |
| New Member processing         | 0     | 76       | 516   | 76        | 516   | 60           | 0            | 52    | 0     | 0                               |
| Retiral Estimates             | 117   | 204      | 200   | 179       | 240   | 60           | 49           | 61    | 142   | 0                               |
| Issue of Pension Options      | 161   | 394      | 384   | 290       | 574   | 60           | 52           | 63    | 265   | 0                               |
| Pensions Brought into Payment | 79    | 276      | 271   | 284       | 275   | 60           | 17           | 19    | 71    | 0                               |
| Inbound benefit transfers     | 53    | 36       | 26    | 38        | 31    | 60           | 53           | 56    | 51    | 0                               |
| Outbound benefit transfers    | 67    | 147      | 137   | 96        | 222   | 90           | 37           | 52    | 118   | 0                               |

|                             |     |      |      |      |      |    |    |    |      |   |
|-----------------------------|-----|------|------|------|------|----|----|----|------|---|
| Deferred member processing  | 310 | 267  | 362  | 265  | 414  | 60 | 57 | 53 | 312  | 0 |
| Process of death benefits   | 25  | 195  | 191  | 202  | 199  | 60 | 12 | 14 | 18   | 0 |
| Payment of death grant      | 53  | 27   | 36   | 32   | 45   | 60 | 63 | 69 | 48   | 0 |
| Dependant member processing | 52  | 75   | 71   | 70   | 73   | 60 | 28 | 31 | 57   | 0 |
| Divorce                     | 15  | 14   | 17   | 16   | 17   | 90 | 60 | 46 | 13   | 0 |
| Total Cases                 | 932 | 1711 | 2211 | 1548 | 2606 |    |    |    | 1095 | 0 |

The following provides further detail on statutory task data:

**Overall Caseload:**

- No cases beyond statute at end of period.
- Average processing times in all categories of cases completed were within statutory time periods with exception of death grants.
- Improvements in average processing times in all categories with exception of divorce and deferrals.

**Prioritised Tasks:**

Whilst restrictions are no longer in effect, the team have continued to prioritise the payment of benefits.

• **Issue of Pension Options & Pensions Brought into Payment**

Over the period the following points are relevant:

- 2.3% increase in caseload received.
- A decrease of 9 average days processing was achieved in the issue of Pension Options.
- A decrease of 2 average days processing was achieved in the issue of Actual Pensions.

• **Processing of Death Benefits, Payments of Death Grants, and Dependant Pensions**

The following are key points to note:

- Death Grant cases complexity continues to result in fluctuating processing times and number of cases completed.
- 3.1% increase in cases received over the period
- 4% decrease in cases processed over the period
- Although out-with statutory timescales, a decrease of 6 average days was achieved in processing of death grants.

**Other Statutory Tasks:**

- **New Member Processing:** The introduction of IConnect in April 2021 had a significant effect of the number of new starters received. We continue to work with employers to ensure timely information updates, but this does result in a changeable number of new starts being processed in differing quarters.
- **Estimates:** Cases received during the quarter remained comparable to the previous quarter. These estimates are complex and cannot be processed by members using the self-service portal. A decrease of 12 average process days was achieved, and this also brought process times within statute.

- **Deferred Member Processing:** There was a 34% decrease in cases processed during period, and an increase of an average 4 days processing time due to reduced resources available. Please note that in spite of this, the team still ensured that no cases breached their statutory timeframes.
- **Outbound Benefit Transfers:** As with deferred member processing this area was also affected by resource issues, with a reduction of 57% cases processed. However, no cases were out-with statutory timeframe at end of period.
- **Inbound Benefit Transfers:** Although affected by resource issues, an improvement of 3 days average working days processing was achieved in this period.
- **Divorces:** Case volumes processed remained stable in comparison to the previous quarter however complexity of certain cases affected overall processing times and the team were not able to maintain the excellent processing time achieved in the previous quarter.

## 5.2. Other Pension Operations

The following table summarises the other operations undertaken in addition to statutory requirements:

| <b><u>Other Pension Activities</u></b> | Completed in Quarter | Completed in Previous Quarter |
|--|----------------------|-------------------------------|
| Amendment to Account                   | 449                  | 448                           |
| Certificates                           | 109                  | 20                            |
| Admin Tasks                            | 763                  | 599                           |
| Other pensions processing              | 521                  | 470                           |

## 5.3. Employer Contributions

During the quarter, there were 6 instances of late notification of monthly contributions with 6 separate employers. 2 Employers had a change of staff at date of payment. An employer bulletin will be issued to remind employers of the requirement to have these issued on time.

## 5.4. Annual Allowance and Lifetime Allowance

Queries in respect of the issued Annual Allowance letters were dealt with immediately over the period due to HMRC deadlines, and 2 scheme pays letters and election forms were issued in the period. A number of 1-2-1 MS Teams sessions were held with individuals to aid in their understanding of options in relation to both Annual and Lifetime Allowances.

## 5.5. Employers and Employee Online Portals

### • I-Connect (Employer Portal)

During the period Carnoustie Golf Links and Carolina House Trust ceased to be I-Connect users as they left the scheme in January and March 2022 respectively. During this period, Employers who had failed to commence uploads via I-Connect were advised that these will be compulsory from March 2022 upload to enable easier End of Year processing for both the fund and employers.

### • MSS (Member Self Service Portal)

As at 31st March 2022, registration to the Member Self Service Portal has increased to 8848 from 8045 in the last quarter, an increase of 9.9%.

In relation to the onboarding of pensioner members who wish to use the portal, the unique identification numbers continue to cause testing issues in relation to the bulk upload facility which is required for transferring past information in relation to pensioners records. We continue to provide all information required electronically or by surface mail, but hoped that these issues will be resolved soon and we will be able to offer this service to our pensioners.

## **5.6. McCloud Employers Briefing Session.**

A Microsoft teams' drop-in question and answer session was held on 4<sup>th</sup> March 2022. This enabled employers to ask questions about the data issued, the guidance notes or any other question in relation to the completion of their issued templates. The session was held via MS Teams, with the recording made available to all employers. Due to year end data processing commitments for both the employers and Fund, the next session will be held in June. Employers have been assured that any queries received in the intervening period would be addressed on receipt.

## **5.7 Employers submission of year end data**

Two Microsoft teams' sessions were held with employers on 25<sup>th</sup> March 2022. These sessions were split to ensure that employers who were at the same point of their IConnect journeys were brought together to discuss their responsibilities and submissions required to update member records for tax year 2021/22. Employers were reminded of their statutory responsibility for the issue of the information to allow for members records to be update not only for those accessing their records on member self-service, but for the issue of the annual benefits statements (due by 31<sup>st</sup> August annually). Sessions were recorded and made available.

## **5.8 Call Centre**

The call centre opened on 24<sup>th</sup> January, with all incoming calls automatically routed to the call centre via the new telephone number of 01382 307900. Staff have retained their existing extension numbers for internal calls within the DCC network.

Over the period to the end of the quarter a total of 1925 calls were answered, with 83% being answered within the first 3 rings. There have however been issues in relation to call clarity, which have been reported and this is being monitored. An update will be provided in the next quarter.

## **5.9 Prudential AVC**

Disinvestment times remain as per the last quarter, with funds being issued by Prudential approximately 4 weeks after the disinvestment instruction. We have engaged with Prudential and they have assured that this will improve as they have now provided additional resources.

Scheme members and pension fund team members have also identified that telephone calls to the Prudential Customer Services Team still remain disappointing and unacceptable response times of in some cases of over 30 mins for calls to be answered. We are continuing to engage with Prudential as well as collectively with other Scottish LGPS in seeking service improvements.

## **5.10 Compliance**

- **National Fraud Initiative**

In relation to the remaining the cases from this year's exercise which were referred to the DCC Fraud Investigation Team, details were received for 15, and letters were issued in March intimating the amount of overpayment. In 5 cases no additional information could be provided by the Fraud Team. Work in this area will continue into the next quarter with further updates to be provided.

- **GDPR:** During the quarter there were no recorded instances of a GDPR breach reported.

## **5.11 Recruitment**

Interviews were held in week commencing 24<sup>th</sup> January for two posts vacant clerical assistants. The successful appointees commenced employment on 28<sup>th</sup> March 2022.

A Pensions Assistant vacancy arose at end of February 2022. This vacant post will be advertised in the next quarter along with the additional posts previously authorised by Committee, which have now completed the establishment change process.

## **OTHER ACTIVITIES**

### **5.12 Queries & Complaints**

- Approximately 4929 emails were received in the quarter to 31<sup>st</sup> March 2022, this equates to approximately 80 emails per working day over the quarter. Although the values slightly reduced by 186 from the previous quarter, emails queries or instructions continue to require significant resource allocation to all Pensions Assistants.
- No complaints were received during the quarter.

### **5.13 Balnacraig School**

Settlement claim forms were submitted to the liquidator. Further update will be provided in due course.

### **5.14 Carnoustie Golf Links**

Carnoustie Golf Links ceased to be an active scheme employer at the end of January 2022. Communication is ongoing with the employer to ensure that the essential forms essential to close all members records are received.

### **5.15 Dundee Contemporary Arts**

The payroll processing provided for this employer changed in February 2022. A meeting was held with DCA administration staff and the new payroll provider to advise of their role and responsibilities in relation to employee and employer contributions, and the use of I-Connect.

## **6 REGULATIONS**

Details of regulatory matters are contained in Appendix 1.

## **7 POLICY IMPLICATIONS**

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

## **8 CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

## **9 BACKGROUND PAPERS**

None

**ROBERT EMMOTT**

**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**17 June 2022**



## Appendix 1

### **REGULATORY COMMUNICATIONS**

#### **The Scottish Scheme Advisory Board (SAB)**

A meeting was held on 24<sup>th</sup> November 2021. The agenda contains discussion items on Structure Review, Responsible Investment, Cost Transparency and a review of SAB's work plan. Minutes of this meeting were not available in the quarter to December 31<sup>st</sup> 2021. These have now been posted to the SAB website. Discussions items included the structure review project, SPPA update following the closure of the consultation on the amendments to be made to the pension scheme regulations, responsible investment, cost transparency update and SAB workplan. The full minute can be found at <https://lgpsab.scot/minutes-24th-november-2021/>

A meeting was held on 17<sup>th</sup> March 2022. Topics discussed included HMT consultation on cost control options during which it was requested that Gad provide further clarification to the April 2022 meeting. The structure review project was discussed and SAB considered a paper from the Employers Members on taking forward the project, following on from discussion at the February SAB meeting, where it was agreed that the Employer and Employee Members would give this further consideration and for a Special meeting to be held to conclude this. Whilst agreement was not reached on the full proposals in the Employers paper, there was broad consensus that the review had reached a breakpoint and that a pause would allow for the SAB to present the work to date (evidence gap analysis) to the Scottish Government and to seek further direction from Scottish Government Finance Minister, noting that further work would be of significant scale and require substantial resource. The SAB therefore agreed to write to the Minister, and that the joint secretaries would do first draft of a letter to discuss with the Chairs. The letter would present the gap analysis work and seek views from the Minister on next steps. The full minute can be found at <https://lgpsab.scot/minutes-17th-march-2022/>

#### **SPPA Circulars**

On 28<sup>th</sup> January 2022 circular 2022/01 was published. This circular confirmed the rate of increase to be applied to pensions in deferment and payment and also to rate of revaluation of CARE benefits of 3.1%. The full circular can be found at ([https://pensions.gov.scot/sites/default/files/2022-01/LGPS%28S%29\\_Circular\\_2022\\_01\\_PI\\_Review\\_and\\_Revaluation\\_Order\\_28\\_January\\_2022.pdf](https://pensions.gov.scot/sites/default/files/2022-01/LGPS%28S%29_Circular_2022_01_PI_Review_and_Revaluation_Order_28_January_2022.pdf))

On 24<sup>th</sup> February 2022 circulars 2022/02 & 2022/03 were published. These circulars confirmed that CPI had been applied to the existing employee contribution deduction salary banding table. The guidance and tables are required by all employers to carry out the annual review of employee contributions rates and to ensure that the correct banding is applied to new starts and re attribution cases within the 2022/23 tax year. A copy of the guidance and tables was issued to all scheme employers.

#### **Actuarial Guidance**

No actuarial guidance was published within this quarter.

#### **Wider Landscape**

- **HMRC - Pension schemes newsletter 136**

HMRC published Pension schemes newsletter 136 on 17 January 2022.

The newsletter gives several important updates on the Managing Pension Schemes service, such as:

- when the feature for migrating pension schemes will be made available on the service
- plans to allow administrators to import data directly from spreadsheets when compiling Accounting for Tax returns
- what administrators should be doing to start preparing to migrate their schemes to the service, and
- when administrators will no longer be able to compile and submit Accounting for Tax returns on the Pension Schemes Online service.

- **HMRC -Pension Schemes Newsletter 137**

On 28 February 2022, HMRC published Pension Schemes Newsletter 137. The newsletter contains:

- an update on the Managing Pension Schemes service:
- the feature for migrating pension schemes will be available from 11 April 2022
- schemes must be enrolled on the Managing Pension Schemes service to be able to migrate
- schemes must provide up to date information to migrate.
- an update on submitting Accounting for Tax returns on the Pensions Schemes online service.

HMRC will provide further guidance on the new features being added to the Managing Pension Schemes service on 11 April 2022. The initial stage of the Tayside Pension Fund migration was completed on 14<sup>th</sup> February 2022 and the next stage will follow after 11<sup>th</sup> April 2022.

- **DWP - DWP responds to nudge consultation**

The Department for Work and Pensions (DWP) responded to the consultation 'Stronger Nudge to pensions guidance' on 17 January 2022. On the same day, the DWP laid before Parliament the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022. The regulations come into force on 1 June 2022.

The regulations will require administrators of occupational pension schemes, including the LGPS, to give to their members, in certain cases, a stronger nudge to Pension Wise guidance.

Funds will need to give the stronger nudge where it receives an application, or a communication in relation to an application, from a member to start receiving their additional voluntary contributions (AVCs) on or after 1 June 2022. The regulations also apply to applications from members aged 50 or over to transfer out their AVCs.

Giving the stronger nudge means that administering authorities must, as part of the application process:

- offer to book a Pension Wise appointment on behalf of the member
- where the member accepts, take reasonable steps to book the appointment
- where the member does not accept the offer, or where the authority is unable to book the appointment despite having taken reasonable steps, give details to the member of how to book an appointment themselves
- explain to the member that the authority cannot proceed with the application unless the member has attended the appointment and confirmed this to the authority, or has opted out of attending an appointment, and
- explain to the member that they can only opt out in respect of the application by giving (either verbally or in writing) a notification to the administering authority. The member may only give the notification in a separate communication made solely for that purpose (such as a separate phone call, or separate digital / postal form).

On 7 January 2022, the Department for Work and Pensions (DWP) published the terms of reference for the independent report to be led by Baroness Neville-Rolfe, which the DWP commissioned as part of the latest review of the State Pension age (SPa). The DWP launched the latest review of the SPa on 14 December 2021, which we covered in Bulletin 218. The review must be published by 7 May 2023.

On 9 February 2022, DWP launched a call for evidence to gather views on this subject to feed into Baroness Neville-Rolfe's report. The independent report calls for evidence will close on 25 April 2022. The call for evidence seeks views from members of the public and all interested parties on various points including:

- intergenerational fairness
- notice periods for State Pension age changes
- changes in working patterns
- predicted future changes to the workplace
- sustainability and affordability
- options for considering differences in circumstances when setting State Pension age
- what metrics should be considered to determine State Pension age



- **Pensions Dashboards**

The Pensions Dashboards Programme (PDP) recently published a blog called 'Supporting a market for pensions dashboard providers'. The blog sets out PDP's aim to grow the dashboard provider market and the benefits of multiple dashboards. The blog also signposts potential dashboard providers to information and asks them to register their interest.

The Pensions Dashboard Programme (PDP) published a report from Ipsos Mori on 25 January 2022. The PDP had commissioned Ipsos Mori to undertake qualitative research on the attitudes of potential dashboard users, their circumstances, behaviours and views of the dashboard concept.

On the same day, the PDP, published a blog summarising the report's main findings, which are:

- respondents reacted almost uniformly positively to the concept of dashboards
- respondents expect to see value information, both accrued and projected
- a find-only dashboard, which located pensions without displaying values, was of limited appeal
- a phased or partial service could negatively affect dashboards' reception
- dashboard users need to know what the service can and cannot do for them, as well as having clear signposting of government backing, in order to increase trust in its security.

- **Finance Act 2022 receives Royal Assent**

The Finance Act received Royal Assent on 24 February 2022. The provisions of the Act relevant to the LGPS are summarised below.

- Clause 9: Annual allowance deadlines - Deadlines for electing for scheme pays and associated payment and reporting deadlines will be extended for certain members who are informed of a change in pension input amount for a past pension input period.
- Clause 10: Normal minimum pension age - The normal minimum pension age will increase from 55 to 57 from 6 April 2028. The Act provides for protected pension ages for members who meet the entitlement condition. It is not yet known whether DLUHC and SPPA intend to amend the LGPS regulations to introduce a protected pension age.
- Clause 11: Power to change tax rules related to the McCloud remedy - The Act provides HM Treasury with the power to make regulations to address tax impacts that arise as a result of implementing the McCloud remedy. Different regulations may apply to different public service pension schemes. The regulations will have retrospective effect.

A final version of the Act to be published. When it is, more detailed information about the provisions of the Act and its impact on LGPS will be notified.

- **Automatic enrolment trigger remains the same**

DWP has published its review of the automatic enrolment trigger for 2022/23. The earnings trigger will remain at £10,000. This is a real term decrease in the value of the trigger. The Government estimates this will bring 17,000 more savers into pension savings compared with increasing the trigger in line with average wage growth.

- **Launch of Pensions Dishonesty Unit**

The Pensions Ombudsman has established a Pensions Dishonesty Unit in response to recent high value determinations. The Unit will investigate allegations of serious breaches of trust, misappropriation of pension funds and dishonest or fraudulent behaviour by pension scheme trustees.

- **Pension scams prevention: proposed rule changes**

The DWP has confirmed that it may make changes to The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 that came into force in November. The changes would mean that the presence of low-risk overseas investments would no longer constitute an amber flag. Members must take pension scams guidance from MoneyHelper if any amber flags are identified. An amber flag is currently present if overseas investments are included in the receiving scheme. The transferring scheme must direct members to guidance even if those overseas investments are low risk.

The Government is currently considering what changes could be made that would maintain the primary policy of protecting members from potential scams.

- **Annual and lifetime allowance limits**

The Chancellor of the Exchequer announced in the 2021 Budget that the lifetime allowance would remain at its current level of £1,073,100 until April 2026. Freezing the lifetime allowance is provided for in the Finance Act 2021.

The standard annual allowance, defined in section 228 of the Finance Act 2004, is unchanged at £40,000 for 2022/23. There are no changes in the tapered annual allowance provisions as set out in section 228ZA of the Finance Act 2004 for the 2022/23 year.

### **McCloud & Sergeant**

- **Judicial review challenging McCloud consultation dismissed (This case has no impact on the LGPS).**

On 15 December 2021, the High Court handed down its judgment, dismissing the judicial review brought by the Police Superintendents' Association (PSA). The PSA challenged the legality of the consultation remedying the discrimination identified in the McCloud judgment in the unfunded public service schemes and the decision to close the legacy schemes on 1 April 2022.

The Court upheld some aspects of the PSA's claims. The Court found that the Government had not given clear conscientious consideration to the consultation responses before deciding to close the legacy schemes on 1 April 2022 and that parts of the public sector equality duty were breached. The Court decided against granting relief as it found it highly likely that the Government would have made the same decisions if the breaches had not occurred.

The PSA has since announced that it will seek leave to appeal to the Court of Appeal.

- **Amendments tabled to the PSPJO Bill**

The Government tabled further amendments to the Public Service Pensions and Judicial Offices (PSPJO) Bill on 21 January 2022. In summary, the amendments relevant to the LGPS are:

- redefine "remediable service" so that it also potentially covers members who were not in pensionable service on 31 March 2012 in a relevant public service pension scheme but who were in such service before then
- extend the types of schemes where pensionable service of which would not count as a disqualifying break
- allow regulations to provide final salary benefits for transferred-in service from different public service schemes where the service benefitted from final salary protection in the other scheme
- allow regulations to restrict service between 1 April 2014 (1 April 2015 in Scotland) and 31 March 2022 from having final salary protection unless the member has transferred in or aggregated previous service
- allow regulations to make provision adjusting pension credits and debits to reflect the McCloud remedy
- allow regulations to make provision about teachers who qualified for the LGPS
- make provisions about compensation and interest payments.

The Bill is at the Committee stage in the House of Commons, the first sitting was on 27 January 2022.

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to give the relevant government departments the regulation powers to resolve the discrimination identified in the McCloud judgment.

