

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

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE  
& PENSION BOARD – 21 JUNE 2021**

**REPORT ON: PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 31  
MARCH 2021**

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

**REPORT NO: 200-2021**

### 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 31/3/21 |
|-------------------------------|-------|----------|-------|-----------|-------|--------------|--------------|-------|-------|------------------------------|
|                               |       | Current  | Prior | Current   | Prior |              | Current      | Prior |       |                              |
| New Member processing         | 0     | 291      | 291   | 291       | 317   | 60           | 30           | 30    | 0     | 0                            |
| Retiral Estimates             | 193   | 270      | 212   | 305       | 270   | 60           | 66           | 80    | 158   | 4                            |
| Issue of Pension Options      | 345   | 403      | 267   | 290       | 207   | 60           | 83           | 52    | 458   | 11                           |
| Pensions Brought into Payment | 81    | 250      | 169   | 228       | 188   | 60           | 23           | 25    | 103   | 3                            |
| Inbound benefit transfers     | 70    | 55       | 2     | 39        | 27    | 60           | 74           | 48    | 86    | 0                            |
| Outbound benefit transfers    | 99    | 99       | 89    | 117       | 138   | 90           | 64           | 92    | 81    | 1                            |

|                             |      |      |      |      |      |    |    |    |      |    |
|-----------------------------|------|------|------|------|------|----|----|----|------|----|
| Deferred member processing  | 254  | 287  | 210  | 287  | 208  | 60 | 66 | 37 | 254  | 10 |
| Process of death benefits   | 49   | 188  | 154  | 193  | 134  | 60 | 23 | 28 | 44   | 3  |
| Payment of death grant      | 38   | 49   | 29   | 27   | 19   | 60 | 74 | 58 | 60   | 3  |
| Dependant member processing | 37   | 63   | 54   | 56   | 45   | 60 | 32 | 36 | 44   | 2  |
| Divorce                     | 9    | 15   | 18   | 8    | 29   | 90 | 46 | 47 | 16   | 2  |
| Total Cases                 | 1175 | 1970 | 1495 | 1841 | 1582 |    |    |    | 1304 | 39 |

The following provides further detail on statutory task data:

#### Overall Caseload:

- In the period, there was a 32% increase in inbound cases for processing.
- The volume of cases completed through the period increased by 17%.
- No material caseload beyond statute at end of period. Whilst we strive to keep everything within statute, the Pensions Regulator would not consider this level out-with statute to be concerning or lead to any further action. However, we do recognise this does affect individual members.

#### Covid Prioritised Tasks:

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

The team continues to give priority to the payment of benefits in line with TPR priorities. Over the period the following points are relevant:

- 50% increase in caseload received.
- 31% increase in caseload processed.
- Processing times for benefits into payment were maintained, but the large volumes of options carried forward from last period had detrimental impact on performance. Resource will be focussed during the next quarter to bring process times back within statute.

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

The following are key points to note:

- Death related payment cases received increased by 27% in the quarter.
- 44% more cases were processed to payment in the period.
- Whilst monthly benefit payment processing times decreased by 4-5 days, the timescales for payment of death grants increased significantly due to the complexity of cases requiring senior officer and legal attention.

#### Other Statutory Tasks:

- **New Member Processing:** Standard volumes of new starts were received and processed.
- **Estimates:** Estimate request volumes rose by 27% over the quarter. The team managed to process 13% more cases, and greatly improved process times. Resource will be focussed during the next quarter to bring process times back within statute.
- **Deferred Member Processing:** Case volumes again increased over the quarter by 37%. The team were able to match this with the same volume of increased caseload processed, but processing times were affected due to large volumes carried from previous quarter and staff absence. This is a key area of focus for the next quarter as numbers of leavers continue.
- **Benefit Transfers:** Transfer volumes increased by almost 70% in the period. Process volumes were largely maintained, with mixed outcomes in relation to processing times with improvement for

outbound and decline of inbound. The causes will be investigated and addressed in the coming quarter.

- **Divorces:** Case volumes received and processing times were maintained.

## 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                   | 377                  | 737                           |
| Certificates                           | 161                  | 51                            |
| Admin Tasks                            | 503                  | 362                           |
| Other pensions processing              | 339                  | 427                           |

## 5.3. Employer Contributions

During the quarter, there were 2 instances of late notification of monthly contributions with 2 separate employers. Employers were contacted directly regarding this and the reasons were due to staff changes at the respective employers which resulted in slight delay in payments being made. Employers were reminded of the importance of contributions being paid within statutory timescales.

## 5.4. Annual Benefit Statements (ABS)

The team continue to deal with queries that are still awaiting employer response, and during the quarter, 23 of these cases were closed. At the end of the last quarter 205 tasks remained outstanding and largely relate largely to one employer. Further dialogue and support over this quarter to reduce the cases outstanding to 169. The team will continue to work with the employer for further resolution during the next quarter. These remaining outstanding volumes are not a level of materiality, and senior management are kept informed of progress.

## 5.5. Annual Allowance

Accounting for Tax event reporting with HMRC in respect of those who had been notified of an excess on their annual allowance for 2018/2019 was filed by the deadline of 31<sup>st</sup> January 2021.

## 5.6 Employers and Employee Online Portals

Throughout the year, the Fund have been assessing the needs of the service in terms of communication requirements for employers, members, and the staff providing services as the contract for the existing Pensionsweb Portal was due to cease on 31<sup>st</sup> March 2021. A procurement exercise was undertaken to provide a fully integrated solution in order to provide secure and efficient communication portals for employers and members with additional functionality. These solutions are to be provided by Aquila Heywood who are the providers of the core pension administration system.

The I-Connect Portal, in operation from the 31<sup>st</sup> March 2021 is to be used by employers to upload monthly information on all employees including contributions, pay details, new scheme member details and date of leaving etc. via direct upload into the Altair System, thereby allowing the instant and accurate creation of member records.

The member portal (MSS – Member Self Service) will also be brought online during the first quarter of 2021/22 following the receipt of vital year end employer submissions. This module will allow active, deferred and pensioner members to view their pension scheme records, and communicate changes directly with us.

For active members, they will have the ability to carry out certain types of retirement estimates and for them to be able to adjust these instantly in line with varying estimated retirement dates. The Portal will

also allow members to be issued with documents electronically in a secure format and for them to be able to securely upload these in response.

For pensioners it will provide them with continuing access to a monthly payslip and the ability to contact us securely with regard to changes in circumstances (for example bank and address changes).

As well as a number of record confirmation exercises undertaken with employers in preparation for the switch of systems, the team has held virtual meetings with all employers to provide training of how to use the new I-Connect Portal. These meetings also provided employers to gain an understanding of the benefits to them, the team and scheme members.

## 5.6. Call Centre Functionality

Whilst home working is set to continue into the future, and with an eye on further service improvements, the Fund are in the process of arranging to amend our current telephone communications set up to call centre functionality in order to better control call volumes and record all inbound and outbound calls for training and control purposes. This call centre environment will improve call handling and enhance member communications. This service will be implemented during 2021/22.

## 5.7. Prudential AVC

During the quarter commencing January 2021 it was noted that issues were being encountered in relation to the Prudential AVC's. Issues included unacceptable disinvestment periods, non-posting of contributions made to member accounts, as well as exceptionally long wait times for calls to be answered at their dedicated call centre.

Following discussion with the other Scottish Local Authority Funds it became clear that all Funds were encountering the same problems. Prudential confirmed that they had identified a number of issues in regard to their service delivery and that steps were being taken to rectify these as quickly as possible. A narrative was supplied to each Fund by Prudential in relation to this for publication on individual websites. The statement can be viewed at <https://www.taysidepensionfund.org/tayside-pension-fund/client-area/news/prudential-avc-service-delivery-issues/>.

A number of disinvestment cases were reviewed and contact was made with members affected by these delays, and interim payments from the Fund were offered and accepted in some cases. In respect of the cases identified, a formal complaint was raised by the Fund with Prudential who in response have confirmed that disinvestment was delayed and that a loss adjustment exercise would be undertaken with a view to possible compensation being paid.

For members still making contributions, it was confirmed that all contributions would be backdated to their actual receipt date in order that no loss of investment would be incurred.

Prudential's performance will be monitored over the next period to ensure that disinvestment periods have returned to normal and that contributions are shown on individual accounts as expected.

## 5.8 Triennial Valuation

The Triennial valuation of the fund was conducted as at 31st March 2020. Prior to data submission, all data underwent a cleanse exercise through a product provided by the Fund's Actuary Barnett Waddingham. This identified cases requiring action across all member categories that would not have been picked up in the Annual Benefit Statement exercise. The tool was run against fund data 3 times, and all resulting actions were carried out on member records prior to final submission of data on the 3rd November 2020. Data quality is a critical requirement, and as this facility is now readily available, this exercise will be scheduled in to be run on an annual basis.

## 5.9. Compliance

- **National Fraud Initiative:** The following provides summary of the notified 621 cases
  - 589 cases investigated and closed as no further action required.
  - 9 death in preservation cases referred for further investigation.

- 23 death in pension cases referred for further investigation.

The cases requiring further investigation will be addressed in the next quarter and reported in next quarterly report.

- **GDPR:** During the quarter there was 1 recorded instance of a GDPR breach reported.

## **OTHER ACTIVITIES**

### **5.10. Tell Us Once**

Following the receipt of Disclosure checks, Tell Us Once is now in full operation and utilised fully to ensure that deaths are dealt with quickly and efficiently.

### **5.11. Queries & Complaints**

- Approximately 3,694 emails were received in the quarter to 31<sup>st</sup> March 2021. This is an increase of 534 on the previous quarter (16.89% increase) and equates to approximately 59 emails per day. Communications volumes are to be assessed in the next quarter to ensure that the team have sufficient resources.
- 2 complaints were received during the quarter. Both underwent full investigation and were upheld.

### **5.12. Employers Communications**

The Fund has ensured compliance with all guidance issued by the Pensions Regulator in respect of employer and member support. Officers have worked with employers in arranging suitable payment plans to address strain costs as a result of unavoidable redundancy exercises. The Fund are maintaining close communications with employers to ensure that appropriate support is offered in the coming months.

Virtual Meetings were held with all employers prior to the issue of the annual End of Year Schedule to review the template and guidance notes to be issued and to stress to each employer the importance and effect of the non-return or inaccurate return of the details to be included on the template. Following this, the template and notes were issued electronically to all employers for their completion and submission.

The annual Tiered Contributions Guidance was issued to all employers' payroll teams at the end of March 2021. This document allows them to assess and apply the amended rates of employee contributions for the next tax years.

## **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

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**REGULATORY COMMUNICATIONS**

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

- Meeting of 19 January 2021

The main focus of the meeting was in respect of the ongoing structure review and procurement process and the adjustment of the review to review all four options, rather than simply looking at the option of the merger of Funds. SAB gave authority for the following structure review recommendations:

- agreeing the budget
- agreeing the work streams
- instructing the work to be carried out in conjunction with Scotland Excel
- that progress is to be reported back to SAB

A further discussion was held on the structure of the panel to interview for the specialists required for the structure review and this was agreed as being made up of representatives from both the employer and employees' side along with a representative from Scotland Excel.

The minute for this meeting can be found at <https://lgpsab.scot/minutes-19th-january-2021/>.

- Meeting of 17 February 2021

Discussion topics included:

- Resources in relation to the preparation of the annual report and website amendments and improvements.
- An invitation was received for and observer to a Responsible Investment Advisory Group in relation to climate change for the UK Pensions Bill. It was agreed that a joint secretary would attend.
- Cost Cap Valuation. SPPA confirmed that the provisional results of the 2017 valuation were not available. When issued the valuation will show both the pre and post McCloud underpin costs and that an immediate review of contributions rates would occur. There was also confirmed that cost ceiling breaches will be waived but cost floor breaches will be honoured. GAD gave a presentation on the cost gap valuation process and advised that McCloud will put upward pressure on valuation results. Draft results and resulting Directions will be shared with SAB over the coming months. Following on from the GAD presentation SAB agreed that it will contact Scottish Ministers to see if they can follow a similar route to the English/Welsh SAB in relation to managing the cost gap as the Scottish SAB had not put this in place prior to the introduction of the 2015 Scheme.
- Structure Review Procurement Process. Interview panel being finalised with members from both the employee and employer sides being represented. It was hoped that the interviews would be held during March 2021.
- Transparency Update. SAB was advised of the costs involved for participation in the Byhiras Transparency Code System. Scottish Funds information will be part of phase 2 of the project and further update will be provided to SAB as standard.
- Cessations. SPPA provided further details on the results of the working group into the possibility that further detailed flexibility could be applied to the Regulations regarding employer cessation costs. SPPA agreed that to allow for further discussions on this topic that this would be revisited in May 2021.
- SAB workplan. This was noted and agreed.

The minute can be found at <https://lgpsab.scot/minutes-17th-february-2021/>.

## **SPPA Circulars**

During the period the following circulars were issued:

- Pension Increase Review and Revaluation Order. The purpose of the Pension Increase Review Order is to confirm the annual rate of increase to pensions in deferment and in payment. The increase for 2021 was 0.5%. The Revaluation Order confirms the rate of increase to be applied in respect of the annual revaluation of Career Average Revalued Earnings (CARE) benefits built up during 2020/21.
- Tiered Contribution Guidance. This guidance provides employers with their instructions on the application of employee contributions rates to be applied during 2021/22. In line with the Regulations the tiered contributions tables are reviewed and issued annually by the SPPA. A copy of the published tiered contribution tables and guidance was issued to each employers Payroll teams.

## **Actuarial Guidance**

During the period no actuarial guidance was published.

## **McCloud & Sergeant**

No further update was published in the period January to March.