

ITEM No ...7.....

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE
& PENSION BOARD – 21 MARCH 2022**

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

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 84-2022

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 31/12/2021
		Current	Prior	Current	Prior		Current	Prior		
New Member processing	0	516	766	516	845	60	52	30	0	0
Retiral Estimates	157	200	158	240	120	60	61	65	117	0
Issue of Pension Options	351	384	433	574	465	60	63	68	161	0
Pensions Brought into Payment	83	271	293	275	328	60	19	21	79	0
Inbound benefit transfers	58	26	50	31	40	60	56	67	53	0
Outbound benefit transfers	152	137	177	222	133	90	52	67	67	0

Deferred member processing	362	362	242	414	138	60	53	51	310	0
Process of death benefits	33	191	158	199	160	60	14	20	25	0
Payment of death grant	62	36	30	45	20	60	69	65	53	0
Dependant member processing	54	71	59	73	52	60	31	38	52	0
Divorce	15	17	13	17	8	90	46	56	15	0
Total Cases	1327	2211	2379	2606					932	0

The following provides further detail on statutory task data:

Overall Caseload:

- No caseload beyond statute at end of period.

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:

- 10% decrease in caseload received.
- 7 % increase in caseload processed.
- A decrease of 5 average days was achieved in the issue of Pension Options.
- A decrease of 2 average days 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.
- A 21% increase in cases received over the period
- A 37% increase in cases processed over the period

Other Statutory Tasks:

- **New Member Processing:** The introduction of IConnect in April 2021 had a significant effect of the number of new starters received both in the last and current quarters. Numbers were low in the first quarter of the year as employers were completing their matching exercise which ensured that all required active records were present on Altair prior to them commencing their IConnect uploads. In the second quarter the resulting IConnect uploads as well as the year end processing identifying outstanding new starts not supplied by the employer resulted in the increased value processed. The continuation of work with employers again resulted in a significant number of new starts being processed.
- **Estimates:** A 26.5.% increase in cases received during the quarter. With the introduction of the ability for members to process their own estimates via the Member Self Service Portal, the estimate requests received are of more complex nature, and cannot be processed via MSS by the member. The team were able to accommodate 100% increase in cases completed, as well as a reduction of 4 days on average case time.

- **Deferred Member Processing:** 50% increase in cases was received during this quarter, and a 200% increase in cases fully processed was achieved.
- **Outbound Benefit Transfers:** 67% increase in cases completed and a decrease in average days of 15 days was achieved.
- **Inbound Benefit Transfers:** An improvement in the average working days was achieved in this period of 11 days,
- **Divorces:** Double the volume of cases were processed, and average working days was reduced by 10 days.

5.2. Other Pension Operations

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

<u>Other Pension Activities</u>	Completed in Quarter	Completed in Previous Quarter
Amendment to Account	448	485
Certificates	20	99
Admin Tasks	599	557
Other pensions processing	470	458

5.3. Employer Contributions

During the quarter, there were 2 instances of late notification of monthly contributions with 2 separate employers.

5.4. Annual Allowance

The statutory Annual Allowance exercise, which must notify all scheme members who have exceeded the Annual Allowance of £40000.00 must be completed by 6th October annually. This exercise can only be completed following the successful upload of the year end data and the CARE Revaluation exercise, as it calculates the change in member's pension values during the period 6th April 2020 to 5th April 2021.

A total of 83 letters were issued to members who were identified as having exceeded the allowance. Of these letters, a number of members contacted the Fund for details of applying for a scheme pays debit. This debit is applied to their pension fund record and applied at the point of retirement in place of them having to make personal payment of the tax due on their annual allowance excess. For these scheme pays elections the tax due is paid by the Fund to HMRC in the quarter following their election, and the debit noted in their records. In the period October to December 2021, 5 scheme pays elections were received and payments were made to HMRC on 18 January 2022.

5.5. Employers and Employee Online Portals

During the period a large employer that hadn't managed previously, was onboarded to the employer portal, and we continue to work with payroll departments in order to achieve full functionality. This exercise is expected to be fully complete later in the year.

Testing of upload of pensioner payslip information continues with DCC IT, hope to be able to offer pensioner payslips via the member self-service portal by the start of the new financial year.

Registration to the Member Self Service Portal increased by over 1000 in the quarter to 8045. We do note that members are mainly choosing to register when they are wishing to change details or gain information.

5.6. McCloud Employers Briefing Session.

Two sessions for employers were held on 21st December 2021. These sessions advised employers of the issue of templates for the gathering of the data required to updated all relevant pension fund records

in line with the McCloud Remedy. The sessions provided employers with background on the issue, as well as confirmation that guidance notes would accompany the templates for completion.

There will be a further series of sessions hosted on MS Teams to support employers as they complete their templates and recordings made available to all employers. Each employer has been issued with a specifically order template, identifying the cases in order of priority.

5.7. Contact Centre

Whilst it had been anticipated that the Pension Contact Centre would be implemented by 31 December 2021, this was not achieved as a small number of outstanding issues remained. These were resolved, and the centre opened in January 2022. Further details will be provided in the next quarters report.

5.8. Prudential AVC

Disinvestment times remain as per the last quarter at approximately 4 weeks after the disinvestment instruction being issued.

Scheme members and pension fund team members have identified that telephone calls to the Prudential Customer Services Team still remain at disappointing and unacceptable response times of in some cases over 30 mins for calls to be answered.

Fund Officers met with Prudential to discuss their performance and were advised that additional resource was continuing to be focused towards disinvestments/claims and complaints, and they were progressing in line with their recovery plan. They advised that the customer services team were still however working to a 40 working days response time, but that recruitment for the team had taken place and approximately 86 new starts had been employed and this should result in the response time being significantly reduced in the near future. They confirmed that they are in communications with their regulating bodies and reporting their progress.

5.9 The Pensions Regulator – Annual Scheme Return.

This annual return was submitted by the closing date of 10 November 2021. The information required by the annual Scheme Return includes the following:

- details about the Scheme and its membership
- details of those managing or otherwise involved with the Scheme (e.g. trustees/managers, pension board members, employers, provider/insurer, administrator)

5.9 Compliance

• National Fraud Initiative Update

- All 9 death in preservation cases referred for further investigation have now all been closed.
- Of the 23 death in pension cases referred for further investigation, 5 cases were closed in the October to December quarter. Of the remaining 18 cases, details have been received for 15, following to DCC Fraud Investigation Team. Work in this area will continue into the next quarter and further updates provided.

• Mortality Match/Supplementary NFI Report

An additional exercise has been conducted and data was uploaded to the NFI website for mortality matching, with results received on 21 December 2021. 12 of the 54 matches identified in the supplementary report were not known to the Fund, work continues on these cases.

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

5.10 Recruitment

Advertisement of two Clerical Assistant Posts was actioned within this quarter. At the end of the quarter the shortlisting had been completed and the recruitment system updated to reflect the status of all applicants. Interviews will be held in the January 2022.

OTHER ACTIVITIES

5.11 Queries & Complaints

- Approximately 5115 emails were received in the quarter to 31 December 2021, this equates to approximately 81 emails per working day over the quarter. Although the values reduced from the previous quarter (by almost 4500 emails) the emails continue to be a significant work allocation to all Pensions Assistants within the Team.
- No complaints were received during the quarter.

5.12 Exiting Employers

The last members from Balnacraig School left the scheme during November 2021, and the Fund continues to work with appointed liquidators.

Whilst the planned date of exit of Carnoustie Golf Links was 31 December 2021, the employer had to delay by 1 month to enable employee consultation process.

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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EXECUTIVE DIRECTOR OF CORPORATE SERVICES

11 March 2022

Appendix 1

REGULATORY COMMUNICATIONS

The Scottish Scheme Advisory Board (SAB)

A meeting was held on 24th November 2021. The agenda contained discussion items on Structure Review, Responsible Investment, Cost Transparency and a review of SAB's work plan. Minutes of this meeting are not yet posted onto the SAB website.

SPPA Circulars

SPPA did not publish any circulars during this quarter.

Actuarial Guidance

An excel format consolidated factors workbook was issued in July 2021. This spreadsheet contains the up to date listing of all calculation factors, their definition and implementation date.

Wider Landscape

- On 27 October 2021 the Government announced its Autumn 2021 budget and spending review. Of particular interest to the LGPS is the publication of the Government's response to the Call for Evidence on pensions tax relief administration. The Government's response announces that it will introduce a system to make top-up payments directly to low-earning members using the net pay arrangements. This will broadly equalise the outcomes for all low earning pension savers. Unfortunately, the top up payment will not be automatic, members will need to claim the top up payment directly from HMRC. Top-up payments to members will commence in 2025/26 regarding the 2024/25 tax year. The response claims an estimated 1.2 million individuals could benefit by an average of £53 a year.
- In October 2021, the Pensions Ombudsman (TPO) launched a new page on its website called 'How to avoid the Ombudsman'. It contains 'top tips', links to case studies, key determinations and new frequently asked questions. A guidance note on communicating with pension scheme members was also included and this note sets out simple steps that can be taken to resolve pension disputes and complaints without the need for TPO to be involve.
- The Financial Conduct Authority (FCA) has written to a total of 3,951 defined benefit (DB) pension transfer advice customers to tell them they might be eligible for compensation. Letters have been sent to customers of firms in liquidation where past business reviews have identified that the firm has given unsuitable advice to some customers. The letters direct customers to the FCA's DB pension transfer advice checker to help them decide whether the advice they received was suitable or not. The FCA has also published a full list of firms who are in insolvent liquidation and have given unsuitable advice to some customers. The list currently covers 10 firms and will be kept up to date as the work continues.
- Earlier this year the Pensions Dashboards Programme (PDP) ran a staging call for input. The PDP received just over 60 responses to the call for input from a variety of stakeholders. These will be used to feed into further policy development of pension dashboards. It has published a summary of the key themes drawn from the responses:
 - the provision of estimated retirement income projections could impact the policy objectives and staging principles
 - the need for greater clarity around data and the digital architecture's technical requirements before accurate estimates about staging times can be provided
 - where staging times were estimated, around three-quarters suggested that 12 months or more (up to 24 months) would be required

- just over half of all respondents agreed with the recommendation that the largest defined benefit schemes should stage from Autumn 2023 and all defined benefit schemes with 1,000+ members should stage within the first wave (half of those that agreed were either defined benefit schemes or public service schemes)
- the majority of the concerns from public service pension schemes centred around McCloud and the associated administrative issues as a reason for not staging within the first wave
- consumer testing will be an important part of how dashboards are executed, highlighting the need for additional tools, system messaging and an education and awareness campaign to promote the benefits of dashboards
- concerns about limiting the scope of dashboards to exclude pensions in payment
- general uncertainties on the following:
 - data – specifically what view data, especially early retirement income, will have to be returned
 - data protection and liability
 - connection requirements
 - response times
 - identity verification and assurance process
 - matching protocols
 - Integrated Service Provider (I S P) market dependency
 - McCloud for public service schemes
 - competing priorities – Guaranteed Minimum Pension equalisation, simpler annual benefit statements, small pots, transformation programmes.

The PDP also announced in October 2021 that draft regulations on pensions dashboards are expected to be published before the end of 2021 or early in 2022. This follows on from the enactment earlier this year of the Pension Schemes Act 2021. The draft regulations will provide more information about the data standards, what data will have to be supplied and how pension providers will need to provide it.

- On 20 October 2021, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2021 as 3.1%. Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year. We await confirmation from Government that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2022 will be 3.1 per cent.
- On 1 November 2021, the Scottish Public Pensions Agency (SPPA) launched a consultation on the draft Local Government Pension Scheme (Scotland) (Amendment) Regulations 2021. In the main, the regulations propose to:
 - clarify the rules allowing deferred members who left before 1 April 2015 to elect for early payment between 55 and 60 without needing their former employer's consent
 - allow pension credit members who were awarded the credit under the Local Government Pension Scheme (Scotland) Regulations 1998 or under the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 to elect for early payment at a reduced rate on or after age 55, rather than on or after age 60
 - clarify the underpin calculation so that the comparison considers any actuarial reductions and increases • amend how survivor partner pensions are calculated so that male survivors of opposite-sex marriages, survivors of same-sex marriages and surviving same-sex civil partners are placed in a similar position to female survivors of male married members. The amendments apply to all deaths on or after 5 December 2005
 - amend how cohabiting partner pensions are calculated so that all membership is used if the cohabiting partnership was entered into before the member left the Scheme. The amendments apply to all deaths on or after 1 April 2015
 - provide more flexibilities when dealing with exiting employers
 - allow amendments to employer contribution rates in between valuations
 - amend the cost cap figure from 15.5 per cent to 15.2 per cent, correcting an error identified by the Government Actuary's Department.

Consultation closes in January 2022 and prior to this a Technical Meeting of the SPLG will be held to draft a response for issue to the SPPA. On 21 December 2021, Victoria Antcliff from the Scottish Public Pensions Agency (SPPA), emailed administering authorities confirming that the consultation on the

Local Government Pension Scheme (Scotland) (Amendment) Regulations 2021 will close on 21 January 2022, rather than on 7 January 2022.

- On 8 November 2021 the Government published its Response to Pension scams: empowering trustees and protecting members consultation. The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 [SI 2021/1237] were laid, the Pensions Regulator (TPR) published TPR guidance on dealing with transfer requests.

The regulations took effect from 30 November 2021. They introduce further legal restrictions on a member's statutory right to transfer. The regulations give administering authorities tools to act if they have suspicions about the circumstances that have led the member to request a transfer. The member will no longer be able to insist on a statutory transfer taking place in these circumstances. These changes will affect the payment of cash equivalent transfers for:

- deferred members who request a statement of entitlement on or after 30 November 2021 (main scheme benefits only)
- AVC members who elect for payment of a transfer on or after 30 November 2021
- pension credit members who elect for payment of a transfer on or after 30 November 2021 (main scheme and / or AVCs).

These regulations do not apply to the payment of cash transfer sums i.e. deferred refunds, nor to pensions on divorce transfers.

There are two key new measures: decision making and disclosure.

Decision making

Transfers to UK public service schemes, master trusts and collective money purchase schemes can continue without further checks. Before transferring to any other type of scheme, the administering authority must decide if there are any red flags or amber flags present. If there are any red flags present, the transfer cannot be paid.

If there are any amber flags present, schemes must pause the transfer until the member can provide evidence that they have received pension scams guidance from MoneyHelper. Members will be able to book guidance sessions with MoneyHelper from 30 November 2021.

Disclosure

Disclosure 1: must take place within one month of:

- a deferred member requesting a statement of entitlement (main scheme benefits only)
- a pension credit member electing for payment of a cash equivalent
- an AVC member electing for payment of a cash equivalent.

The administering authority must notify the member that the transfer can only proceed if there are no red flags present or the transfer is to be paid to a public service scheme, master trust or a collective money purchase scheme. Schemes do not have to disclose this information if the cash equivalent is paid within one month of the request or election listed above.

Disclosure 2: Once schemes have decided about whether a transfer can proceed, they must notify the member. They must do this:

- by no later than the date they send the member confirmation that the transfer has been made, or
- within seven working days of the decision.

The regulations are significantly different from the draft regulations originally published with the consultation. The LGA announced that they will update the Non-Club transfer guide and acknowledgement letter and in the longer term, provide a new suite of declaration forms and template letters.

Resource will be allocated to ensuring full compliance with the regulations in terms of amended letters, and guidance.

- On 2 November 2021, HM Treasury (HMT) formally introduced the Finance (No.2) Bill 2021/22 to Parliament. The Bill includes a number of provisions that may affect the administration of the LGPS.

- Clause 9: Changes to annual allowance scheme pays deadlines

This clause changes deadlines associated with mandatory scheme pays. The period within which some members must give notice of their election will be extended. The deadline for administrators to provide information about annual allowance tax charges will also change.

- Clause 10: Increase in normal minimum pension age

This clause introduces an increase in the normal minimum pension age (NMPA) to age 57 from 6 April 2028. The clause includes significant changes from the proposed policy that was consulted on between February and April 2021.

- Members of uniformed services pension schemes will be exempt from the increase to the NMPA.
- Members of registered pension schemes who had a right to take their entitlement to a benefit under their scheme before age 57 before 4 November 2021 will have a protected pension age. A protected pension age will only affect the age at which an LGPS member can take their pension if the responsible authority makes changes to the scheme rules to implement the protected pension age. We do not yet know whether the responsible authorities plan to make such changes.
- Members will continue to benefit from a protected pension age after completing either an individual or block transfer. The Bill will introduce transitional measures for members who had already started the process to transfer to a scheme in which they would have a right to take their benefit before NMPA, providing the transfer process started before 4 November 2021.
- Members who join the LGPS from 4 November 2021 will not meet the entitlement condition.

It is important to note that this Bill is currently in draft form. However, administering authorities may wish to consider making changes to their processes now to reduce the likelihood that they will have to re-visit transfer cases in the future. Those changes include:

- Requesting additional information when a member who joined the LGPS on or after 4 November 2021 completes a transfer of pension rights from another scheme. Administering authorities should ask the transferring scheme whether the member met the entitlement condition in their scheme, specifically:
 - did the member have an actual or prospective right under the pension scheme to any benefit from an age less than 57 immediately before 4 November 2021?
 - did the rules of the pension scheme on 11 February 2021 include provisions conferring such a right on some or all members of the scheme? And
 - did the member have such a right on 11 February 2021, or would they have had such a right if they had been a member on that date?

The effect of the answer to this question will depend on what changes are made to the LGPS regulations.

- When a member who joined the LGPS before 4 November 2021 transfers out, informing the receiving scheme that the member met the entitlement condition in the LGPS.
- When a member who joined the LGPS on or after 4 November 2021 transfers out, informing the receiving scheme that the member did not meet the entitlement condition in the LGPS. You may need to supply additional information if the member's LGPS benefits include a transfer in that has been 'ringfenced' – see below.
- 'Ringfencing' benefits that a member who met the entitlement condition in their previous scheme transfers into the LGPS, if the member first joined the LGPS on or after 4 November 2021. You may wish to engage with your software suppliers to discuss how this can be achieved.

At present a list of all potential affected members has been created and communications will be issued when specific LGPS legislation is laid.

DWP launch second review of State Pension age

The review was launched on 14 December 2021. It will consider if the State Pension age (SPA) rules are still appropriate based on the latest life expectancy data and other evidence. The Pensions Act

2014 requires Government to regularly review SPA and for the latest review to be published by 7 May 2023.

Two independent reports will be commissioned as part of the review:

- the Government Actuary will provide a report assessing the appropriateness of S P a considering the latest life expectancy projections
- Baroness Neville-Rolfe will provide a report on other relevant factors including recent trends in life expectancy and other metrics.

Evidence from across the UK will be considered in the review.

McCloud & Sergeant

On 27 October 2021, HMRC published a Policy paper on the taxation of public service pension reform remedy. The paper outlines changes to the tax regime that are required to implement the McCloud remedy in the unfunded public service pension schemes. Provisions will be made in the Finance (No.2) Bill 2021-22 concerning:

- making compensation payments paid to a member who has been underpaid exempt from tax charges
- allowing individual protection 2016 to be based on the higher of the two pension choices available under deferred choice
- increasing annual allowance so any annual allowance charge is not more than the member would have paid if they had been in their chosen scheme in the relevant payment input period
- a tax charge paid in one scheme will be deemed to have been paid in the scheme the member chooses, if different
- late payment of pension and lump sums will be treated as meeting the conditions to be authorised if they would have been authorised payments had they been made at the relevant time.

We await information on how similar protections will be introduced for LGPS members.

