

ITEM No ...6.....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD –

REPORT ON: PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 30 SEPTEMBER 2021

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 342-2021

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 30/09/21
		Current	Prior	Current	Prior		Current	Prior		
New Member processing	79	766	79	845	0	60	43	30	0	0
Retiral Estimates	119	158	219	120	258	60	65	65	157	0
Issue of Pension Options	383	433	356	465	431	60	68	82	351	0
Pensions Brought into Payment	118	293	280	328	265	60	21	19	83	0
Inbound benefit transfers	48	50	9	40	47	60	67	68	58	0
Outbound benefit transfers	108	177	90	133	63	90	67	61	152	0

Deferred member processing	258	242	208	138	204	60	51	75	362	0
Process of death benefits	35	158	179	160	188	60	20	22	33	0
Payment of death grant	52	30	24	20	32	60	65	60	62	0
Dependant member processing	47	59	64	52	61	60	38	41	54	0
Divorce	8	13	19	6	27	90	56	48	15	0
Total Cases	1247	2379	1527	2301	1576				1312	0

The following provides further detail on statutory task data:

Overall Caseload:

- There were no cases beyond statute at end of period.
- There was a 56% increase in caseload received in period.
- There was a 46% increase in caseload processed in 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:

- 14% increase in caseload received and processed.
- An increase of 24% of benefits were brought into payment was achieved as prioritised, however this impacted pension options issued in the period. The team continue to work to improve this balance to optimise overall performance.

• **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.

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 I-Connect uploads. Employers have caught up in this quarter.
- **Estimates:** The 27% reduction in cases received during the quarter can be directly linked introduction of the Member Self Service Portal as members can now run estimates quickly and easily using the online tool. Average completion times have remained the same as the cases for action within the Fund are more complex in nature.
- **Deferred Member Processing:** A 30% reduction in the average working days was achieved within this period and the caseload processed was significantly within statute.
- **Outbound Benefit Transfers:** With a 96% increase in cases received in quarter, the team achieved an increase of 111% in cases completed.

- **Inbound Benefit Transfers:** Slight improvement in the average working days was achieved in this period, but a continuing additional resource is planned in this area in the third quarter in order to achieve higher completion rate.
- **Divorces:** Case volumes received and processing times were slightly reduced.

5.2. Other Pension Operations

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

Other Pension Activities	Completed in Quarter	Completed in Previous Quarter
Amendment to Account	485	461
Certificates	99	81
Admin Tasks	557	306
Other pensions processing	458	431

5.3. Employer Contributions

During the quarter, there were 5 instances of late notification of monthly contributions with 5 separate employers. This has been unusual, and whilst these employers have received standard reminders, a further communication will be issued to all employers to remind them of the statutory deadline and obligations in respect of payment of employee/employer contributions, as well as Fund's Administration Strategy and request that they contact the fund at the earliest opportunity if they are experiencing difficulties in maintaining contributions.

5.4. End of Year Employer Returns 2020/2021 & CARE Revaluation.

This exercise is the precursor to the Annual Benefit Statement exercise, and July and August, a small team worked with employers to analyse balance and upload year end data into all member records. This exercise has been streamlined over last 2 years, and was completed with no delays.

The annual CARE Revaluation follows this to allocate the annual increase due to each active member's CARE benefit in line with the government's Treasury Order, which was 0.5% for 2021.

5.5. Annual Benefit Statements

The Fund met the statutory deadline for issuing Annual Benefit Statements (ABS) by 31st August. This is the most complex annual exercise for the Fund and employers, and the Fund have actively sought to improve processes over recent years. Successful outcome has been achieved by the team and employers working together to address and overcome issues.

The Fund published all ABS via the Member Self Service portal in order that members could access their statements as required without the requirement to store a paper copy. Members who did not wish to receive their statements via the portal completed an election form if they wished to continue to receive a paper copy of the statement. The following provides summary:

Annual Benefit Statement Issue			
Category	Online Portal	Paper	Total
Active	17,947	1,131	19,078
Deferred	8,554	476	9,030
Total	26,501	1,607	28,108

There are 1,618 members that we were unable to issue ABS to as they have failed to provide updated correspondence details to the Fund. Their statements remain up to date and available for view via the portal or by post upon contact, and we will endeavour to continue to try to communicate.

5.6. Annual Allowance and Lifetime Allowance

The percentage of Lifetime Allowance used as at 31st March 2021 were included on the Annual Benefit Statement to inform members of current usage and availability, and allow those nearing 100% to consider taking specialist independent financial advice.

The statutory exercise to notify all scheme members who have exceeded the Annual Allowance must be completed annually by 6th October. The value of annual allowance available has decreased substantially in recent years, and as a result the number of cases has increased. An exercise is undertaken each year following the issue of ABS to identify and calculate excess where applicable. For the year to 31 March 2021 the allowance was £40,000, and 84 members received notification of breach.

5.8 Employers and Employee Online Portals

31 of the 45 employers are now fully using the employers' I-Connect system (inc.3 of 4 biggest employers). We continue to work with payroll departments in order to implement full system functionality for all employers by end of December 2021.

The Member Self-Service portal (MSS) portal is available for all members and as at 30th September there were 7038 members fully registered and using the portal. We continue to see numbers increase following contact with the Fund for specific requests. Feedback since implementation has been extremely positive.

MSS provides members with the ability to review and amend personal details as held on the pensions system, and enables them to also submit questions/queries and requests. The following provides further detail:

MSS Status at 30 September 2021		
Description	Received	Completed
Address amendment	1295	1286
Questions/Queries	397	46
Transfer Out/Deferred into Payment Requests	108	87 *
Nomination details amendment	2284	493

* Task now scheduled for completion within main task allocation

The high volumes of nomination amendment requests were not anticipated. An analysis was undertaken and it was noted that a significant number of requests received had been incorrectly completed / contained errors and will require checking before accepting to ensure that Fund data quality is not compromised. Additional resource has been provided from Corporate Finance (out of normal working hours) to assist with this exercise over the coming weeks.

Whilst active and deferred membership documentation has posed no issue, the transfer of historic payslip information in relation to pensioner members has required additional time due to a technical issue. This is anticipated to be rectified by end of December 2021. Members have received communications in respect of this, and any documentation required during this period has been issued in paper format.

5.9 Call Centre Functionality

Staff training was carried out during this quarter and the call centre system is in final stages of set up, and expected to be live within the next quarter. The general contact number for Tayside Pension Fund once the system is live will be (01382) 307900 and this will be notified on the Fund's website, with a message issued via member self service to all registered members. The new contact details will be on all letters issued, and employers will receive communications to pass to their staff also.

5.10 Prudential AVC Provision

The Fund have seen a slight improvement in disinvestment timescales for retiring members in the last quarter, with funds being advised within circa 4 weeks following initial instruction to Prudential.

Both members and staff have informed that telephone calls to Prudential Customer Services are still disappointing and unacceptable, with call waiting times of in some cases over 30 mins.

The Fund are working with other Scottish LGPS collectively to seek update of progress and resolution to Prudential's operational issues. The Fund take comfort in knowing that regulators are fully aware and are working with Prudential on implementing their improvement plan. Further update will be provided at next report.

5.11 Compliance

- **National Fraud Initiative Update:**
 - 6 death in preservation cases referred for further investigation.
 - 20 death in pension cases referred for further investigation.

3 of the death on pension cases were closed during the quarter. The remaining cases remain unresolved and have been referred for assistance from Dundee City Council's Corporate Fraud Team.

An additional data matching exercise is currently underway to identify cases of unreported deceased pensioners. The outcome of this exercise will be reported in future reports.

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

6. OTHER ACTIVITIES

6.1. Queries & Complaints

- There was an increase of inbound e mail volumes of over 150% during the quarter. Approximately 9614 emails were received in the quarter to 30th September 2021. This is an increase of 6043 on the previous quarter (equates to approximately 145 emails per day). This has placed a significant strain on the processing times of all caseloads as the team were allocated additional time each day working solely on incoming e mails. This increase was in the main as a direct response to the issue of the Member Self Service registration letters and also queries in relation to Annual Benefit Statements which were being issued in late August.
- No complaints were received during the quarter.

7. STAFFING & RECRUITMENT

The recruitment of 2 replacement clerical staff continues as posts have been required to be advertised for a second time, and the process has been subject to delay out with the Fund's control. The Fund hope to have the posts filled by end of next quarter.

Whilst statutory requirements are being met due to improved processes and allocation, the case volumes continue to rise across all employers and additional resources are required to ensure that the fund continues to meet essential compliance levels. Additional resource requirements have been identified as required to address the needs of the incoming discrimination legislation, and these should accommodate both the additional workload of the legislative requirements as well as maintaining and improving current performance levels.

8. REGULATIONS

Details of regulatory matters are contained in Appendix 1.

9. 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.

10. CONSULTATIONS

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

11. BACKGROUND PAPERS

None

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EXECUTIVE DIRECTOR OF CORPORATE SERVICES

03 December 2021

REGULATORY COMMUNICATIONS

The Scottish Scheme Advisory Board (SAB)

On 18th August 2021 SAB met (via Teams Link). SAB discussed the response to be issued to HMT's consultation on reform of the cost control mechanism and details of the consolation response and noted below. The group also discussed a paper produced by the working party on Employer Cessations. Recommendations were agreed by the group including issuing guidance the Funds for the dealings with ceasing, or possible ceasing admitted bodies, details to be included into Funding Strategy Policies and the wider issue of the fair, equal and transparent treatment of cessations by the whole Scottish LGPS. The Joint secretaries agreed to contact all Funds with regard to the recommendations. The mite of this meeting can be found at <https://lqpsab.scot/minutes-18th-august/>.

A further meeting of SAB was held on 21st September 2021 and the agenda reflected discussion of items including the Structure Review Project, SPPA update, SAB workplan. The approved minute is not yet published.

On 23rd September 2021 SAB published their response to the HMT consultation the reform of the cost control mechanism. The consultation was made up of seven questions which included such areas as, will reform create stability, the appropriateness of a +/- 3% pensionable pay allowance, requested confirmation of any equalities which may be encountered if reform occurs. A full copy of the response can be found at <https://lqpsab.scot/sab-response-to-hmt-cost-control-consultation/>.

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

In July HMRC published a paper and draft regulations relating to extending the scheme pays deadline where, for example, due to McCloud their annual allowance has been retrospectively amended. The proposal allows for amendments to annual allowances calculated from April 2016 and legislation is expected in to be implemented from April 2022. The full document can be viewed at <https://www.gov.uk/government/publications/pension-scheme-pays-reporting-information-and-notice-deadlines>.

The Pensions Regulator updated its employers Automatic Enrolment guidance, the amendments have removed out of date staging dates and updates certain issues following the UK's exit from the EU.

The Pensions Regulator published the results from the Public Service Pension Scheme Governance and Administration Survey 2020-21 on 1 July 2021. The survey was conducted online between January and March 2021 and aimed to track governance and administration practices among public service pension schemes. The 2020-21 survey also included new questions on response to the pandemic, pensions dashboards and, for LGPS respondents, action taken in relation to climate-related risks and opportunities. The survey found little change since 2019 for the key processes that the regulator monitors as indicators of performance. Two-thirds of LGPS administering authorities who responded to the survey had all six processes in place. The six key processes are:

- have a documented policy to manage board members' conflicts of interest
- have access to the knowledge, understanding and skills needed to properly run the scheme

- have documented procedures for assessing and managing risk
- have processes to monitor records for accuracy and completeness
- have a process for resolving contribution payment issues
- have procedures to identify, assess and report breaches of the law.

The results also show improvements in risk management processes, cyber controls and the proportion of members receiving their annual benefit statement on time. Unsurprisingly, most schemes identified implementing the McCloud remedy as a significant risk. The Regulator has confirmed that it intends to conduct the next public service pension scheme governance and administration survey towards the end of 2022.

The Pensions Regulator (TPR) published an interim response to the new code of practice consultation. Responses to the consultation included around 10,000 individual answers. TPR has issued the interim response to allow time to consider these responses and to incorporate code content arising from the Pension Schemes Act 2021 in the new code. TPR does not have a firm publication date for the new code, but it is unlikely to become effective before summer 2022.

TPR issued scheme return notices to managers of public service pension schemes in September. Completing the scheme return is a legal requirement. Failure to complete and submit the return by the deadline, could result in a fine. This exercise will be undertaken during the period October with the return being submitted to TPR no later than 10th November 2021.

On 23 September 2021 the Local Government Pensions Committee (LGPC) published a new guide for members planning their retirement. The purpose of the guide is to help members approaching retirement understand their options, the process and the timescales involved. This guide will be reviewed and amended to include the Fund's specific processes and timescales and will be published to the website in the next quarter.

The Government announced on 7 September 2021 that it will be suspending the earnings part of the triple lock for one year. As a result, the Basic and new State Pension will increase in April 2022 by the higher of 2.5 per cent and inflation. This will also apply to those receiving Standard Minimum Guarantee in Pension Credit and widows' and widowers' benefits in Industrial Death Benefit. The earnings part of the triple-lock was estimated to be above 8 per cent due to "unprecedented fluctuations to earnings caused by the COVID-19 pandemic". The full press release can be viewed at <https://www.gov.uk/government/news/legislation-to-ensure-fairness-for-pensioners-and-taxpayers>.

McCloud & Sargeant

On 19th July the Public Services Pensions and Judicial Offices Bill was presented to Parliament. This Bill is to remove the unlawful age discrimination in public sector pension schemes identified in the McCloud Judgement.

For the LGPS, Chapter 3 of Part 1 confirms which members will be in scope and what service is 'remediable', this piece of enabling legislation will allow for public sector pension scheme regulations to be changed to implement the McCloud remedy. The Bill is now awaiting its second reading in the House of Lords on 7 September 2021.

The Bill received its second reading in the House of Lords on 7 September 2021 and will now move to the Committee Stage (first sitting on 11 October 2021).

On 6 August 2021, the Home Office published Guidance on the Public Service Pensions and Judicial Offices Bill. The guidance is aimed at members of the unfunded public service pension schemes, other than the Judicial schemes.

The guidance:

- provides some background to the McCloud and Sargeant cases
- explains how the Bill will introduce changes to remove the discrimination that has been identified
- confirms that legacy schemes will be closed to future accrual from 1 April 2022
- sets out the next steps that will affect members after the Bill is introduced.

This guidance will be used in future member communications to be issued as part of the McCloud Remedy Project.

