Committee and Date	Item
Pensions Committee 24 June 2022 10.00am	**10** Public

PENSIONS ADMINISTRATION MONITORING REPORT

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1. Synopsis

1.1. The report provides members with monitoring information on the performance of and issues affecting the pensions administration team.

2. Executive summary

2.1. Detail is provided on team workloads, performance, and communication. Updates are also given on; Employer monthly data provision, State Pension Age Review, Special Severance Payments – what LGPS strain payments will fall into this category, Dashboards, Tax relief for 'low earners' and the reasons behind the underperformance of Prudential – the Funds AVC provider.

3. Recommendations

3.1. Members are asked to accept the position as set out in the report.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1. Risk Management

Performance is considered and monitored to ensure regulatory timescales and key performance indicators are adhered to. Administration risks are identified and managed and are reported to committee on an annual basis.

4.2. Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

4.3. Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

5. Financial Implications

5.1. Managing team performance and working with other administering authorities ensures costs to scheme employers for scheme administration are reduced. Complying with the national requirement to provide data to the Pension Dashboards will increase costs for the fund. These are presently unquantifiable. Compliance with the proposed Pensions Regulator's (TPR) one code will also increase Fund costs.

6. Climate change appraisal

6.1. Energy and fuel consumption: No effect
Renewable energy generation: No effect
Carbon offsetting or mitigation: No effect
Climate Change adaptation: No effect

7. Performance and Team Update

7.1. The team's output and performance level to April 2022 is attached at **Appendix A**. The chart shows either single standalone tasks or processes which contain several tasks. Outstanding processes fell slightly during the last quarter as resources were redirected to process as many leavers as possible to 31 March 2022 prior to the data being sent to the Fund Actuary for the Pension Fund Valuation.

7.2. All Employers year-end member data was submitted to the Fund through the month 12 returns. The team have been data cleansing through April and May to check that all active records have pay and contributions posted to them for 2021/22. The Fund performs sense checks on pay given for 2021/22 to the previous year. To the end of May approximately 550 queries were sent to employers in respect of missing data and approximately 540 in respect of pay sense checking. The team are working through responses received or chasing those employers who haven't responded. The team are identifying records which have not been notified as a leaver but only hold a part year of pay and contributions, and records where it looks like there may have been a sickness absence on reduced pay and the incorrect reduced pay has been reported to us in error. To 31st May 2022 there have been just over 1,000 queries this year, this is an improvement on the previous year when nearly 2,000 requiring checking.

7.3. As well as data cleansing, reconciliations are undertaken at the year end. At the time of the final payments coming in, there is a balance to the ledger to ensure the money we have received has been accurately accounted for and as much as possible to the correct year. Employers must submit a reconciliation form and signed compliance statement which is also reconciled the payments and data received during the year. Not all these forms have been received ahead of the statutory deadline of 30 June 2022 with 20 still outstanding.

7.4. A project plan is in place with regards to the data submission to the Scheme Actuary for the 2022 Valuation. Provisional data extracts are being run to check for any data errors and warnings as well as preparing a detailed schedule of all the employers in the Fund. Data should be submitted to the Actuary early July in line with their timetable.

7.5. The annual pensions increase was applied to all pensioners and deferred members on 11 April 2022. The increase this year was 3.1% which was the highest it has been for several years. Due to changes in legislation around Guaranteed Minimum Pensions (GMPs) some issues arose during this year's exercise. The team have held a lesson's learnt meeting with actions to be taken forward for immediate attention and for the PI project next year.

7.6. Two staff have resigned recently. One a Development Officer within the systems team the other an assistant on the Operations team. An external recruitment exercise has commenced. Funds all over the country are struggling with recruitment and retention.

7.7. CIPFA Benchmarking results for 2020/21 have been received by the Fund. These are now only available online. Officers will report the outcomes to the September committee meeting.

8. Help Desk Statistics

8.1. The following chart shows statistics on the work undertaken by the helpdesk team not covered by the workflow system and therefore not reported with the wider team statistics in **Appendix A**.

	February 2022	**March 2022**	**April 2022**
Telephone calls received to helpdesk team	765	739	767
% of calls answered	93%	95%	96%
Emails received to pensions@shropshire.gov.uk	1048	958	888
% of emails responded to within 3 working days	100%	100%	100%
My Pension Online activation keys issued	71	62	64
Member updates made through My Pension Online	367	246	297
Opt out requests directly dealt with by helpdesk	33	30	38
Incoming post received and indexed to the pensions administration system	4519	4521	3631
1-2-1 video appointment's held with scheme members	53	30	43
Users visiting the website	2,658	2,833	2,645

9. Communications and Governance

9.1. The fund monitors member take-up of its online area member self-service (MSS), known by members as ‘My Pension Online’. The annual benefit statements for both active and deferred members are available to view on ‘My Pension Online’ unless a member has requested a paper copy. In April 2022 a total of 47% active members, 40% of deferred members and 42% of pensioner members were registered to view their records on ‘My Pension Online’.

9.2. Work is currently underway to prepare the fund’s 2021/22 Annual Report. In line with the timetable a draft of the report will be available for external audit taking place in July 2022.

9.3. The annual employers meeting is due to take place on 23 November 2022. It will include an update from the fund actuary on the 2022 Actuarial Valuation.

9.4. In April 2022, the team successfully issued payroll documents electronically via ‘My Pension Online’ rather than sending paper copies. All fund members with a registered email address received notification to login to view their P60 and monthly payslip. Members who had previously expressed a preference to continue to receive a paper copy of the P60 were sent a paper copy. The bi-annual newsletter InTouch was also issued to member’s either via email or in paper form.

9.5. Preparations are in place for the 2022 annual benefit statements for deferred and active members to be issued by the statutory deadline of 31 August. Member newsletters to accompany the annual benefit statements are being prepared on a collaborative basis with other LGPS funds. Officers from Shropshire take the lead on this collaboration. All newsletters are reviewed by Plain English and awarded a Crystal Mark showing it has met their required standard.

9.6. Officers attended a virtual training session in May 2022 on how to make PDF documents published to the fund’s website accessible. This included (but not limited to) improving published documents so they can be viewed by people with low or no vision, people with dyslexia, colour blindness or motor disabilities. This follows the publication of the Public Sector Bodies Accessibility Regulations and is the 2nd training session organised by the team within 12 months. This training continued on from the first session in April 2021 and covered checking the accessibility of documents using specific software.

9.7. A group presentation and individual scheme member 121’s have recently been requested by one of the fund’s employers. This is the first face-to-face request received by the team from a scheme employer since restrictions were brought in by the Covid-19 pandemic since March 2020, all member prebooked 121’s have been held virtually. Due to the restrictions in access to the Shirehall, because of the on-going building works, it is not possible to offer any 121’s in this building at present.

9.8. An employer update is sent monthly via email bulletin to all registered contacts at participating employers within the fund. The most recent topics covered in March, April and May 2022 were:

March 2022:

- Year-end requirements
- Update on the Actuarial Valuation
- 2022/2023 Employee Contributions table
- Dealing with the back-dated pay award
- Circulating LGA Employer Role Training dates

April 2022:

- New national LGPS website for scheme members
- The fund's approach to dealing with delayed admission agreements
- Dealing with post number changes
- Circulating the new fund branding

May 2022

- Update on latest news on McCloud

10. Employer performance

10.1. In line with the Shropshire County Pension Fund administration strategy, employers must pay their contributions by the 19th of the month. Accompanying data must also be submitted via i-Connect by this date. The below table shows the percentage of employers who have met the deadline over this quarter. This table also includes information about employers who make monthly deficit payments. Information about employers who did not meet these deadlines is covered in the governance report.

	Feb 2022	March 2022	April 2022
i-Connect data	97%	99%	95%
Monthly contributions	98%	97%	95%
Monthly deficit	98%	98%	90%

11. State Pension Age Review

11.1. The State Pension Age (SPA) for new pensioners is currently 66 years for both men and women born between October 1954 and April 1960, incrementally increasing to 68 years for people born after 5 April 1978.

11.2. The Pensions Act 2014 requires the SPA to be reviewed every six years. This allows the Government to consider any change required to the SPA to achieve fairness between generations and to allow individuals to plan for their financial future. The review concerns the pace of the increase to 68 years, rather than any further increases to the SPA itself. Currently SPA will become 68 years on 6 April 2046. However, the first review of SPA in 2017 concluded that the Government under the current review should decide whether to bring that implementation date forward to 6 April 2039. In the years since the first review carried out in 2017, the growth in life expectancies has slowed down. The ONS analysis provided in the call for evidence showed that life expectancy is still trending upwards, but less quickly than before. This suggests that less optimism about how long people will live in the future.

11.3. Baroness Neville-Rolfe called for evidence for her independent report which will provide recommendations to the Government about how to implement any changes to SPA. The Government must publish its review by 7 May 2023 so it will be some time before any legislative changes. LGPS benefits are payable from SPA since the introduction of the 2014 Scheme.

12. Special Severance Payments – Fund Employers

12.1. On 12 May the Department for Levelling Up, Housing and Communities (DLUHC) published statutory guidance on making and disclosing Special Severance Payments, which are additional payments, over and above statutory and contractual requirements, that may be made when someone leaves employment. The guidance applies only to Best Value Authorities in England and confirms the Government's position that Special Severance Payments are not good value for the taxpayer and should only be made in exceptional circumstances.

12.2. Following responses to the consultation on this topic in July 2021, the new guidance makes clear that a LGPS pension strain paid by an employer when an LGPS member is made redundant is not a Special Severance Payment.

12.3. The guidance confirms that:

- strain cost related to the early payment of LGPS benefits under regulation 30(6) or (7) (flexible retirement, redundancy or efficiency retirement over age 55) does not constitute a special severance payment
- strain cost of awarding additional pension under regulation 31 of the LGPS Regulations 2013 may constitute a special severance payment, depending on the terms of the individual's contract 5
- strain cost related to waiving an actuarial reduction when a member retires under regulation 30(5) may constitute a special severance payment, depending on the terms of the individual's contract

13. Dashboards

13.1. As updated previously the recent Government consultation on pensions dashboards proposes that the LGPS connects to the dashboards by 30 April 2024. Given other priorities, like McCloud, as well as the technical changes required to get systems ready, it will be challenging for administering authorities to be 'dashboards ready' within that timeframe, this was fed back in the Fund response. There are steps needed though to be prepared, even if the timeframe is extended.

13.2. Multiple dashboard providers are expected in the marketplace. Individuals will navigate to a dashboard of their choice and submit a request to view their pensions information. The dashboards will then issue electronic requests to all pension schemes to search for the individual's pension. Where a match is found, the scheme returns the location to the dashboard, allowing the individual to view their pension details online. Where partial matches are made, schemes will have a short timeframe to investigate and confirm whether it is an exact match, and then provide details as required.

13.3. The Fund will have to meet registration requirements with the Money and Pensions Service (MAPS). This means ensuring connection to the dashboard's ecosystem (expected to be all year round), the provision of scheme specific and individual pensions information as part of "find requests" and maintaining records on a range of management information for at least six years. All of this must be provided to MAPS, the Pensions Regulator and the FCA on request.

13.4. The Fund will need to be appropriately resourced to deal with pensions dashboard traffic. While not official research, PLSA enquiries indicate experience from similar dashboards across Europe suggest member engagement could be in the region of 25% to 33% of scheme members across all schemes. If replicated across the UK this would equate to every scheme receiving between 16,000 and 35,000 "find requests" a day. While not every request will impact the Fund, this highlights the increased engagement the Fund might expect to deal with.

14. Tax relief for "low earners" in net pay arrangements

14.1. The Government's November 2021 Budget set out plans to address the anomaly that sees pension scheme members who earn less than the income tax threshold being treated differently depending on the type of scheme they are in. Members who pay contributions to schemes that operate 'relief at source' (RAS), will receive a 20% top up to their retirement savings through the tax system, even if they don't pay income tax. Members who pay contributions to schemes that use a 'net pay arrangement' (NPA), such as the LGPS, pay their contributions on pay before tax; effectively receiving immediate tax relief at their marginal rate. If a member does not pay income tax then they receive no tax advantages.

14.2. To address this disparity, HMRC will identify affected NPA scheme members and invite them to claim top-ups equivalent to the missing 20%

tax relief, to be paid into their bank accounts. The intention was for the first such payments to be made in the 2025/26 tax year relating to contributions paid in the 2024/25 tax year. Citing the complexity of the IT arrangements and “other ongoing HMRC delivery programmes” the plan is now for payments relating to the 2024/25 tax year to be paid in the 2026/27 tax year. While these changes won’t impact the Fund directly, the changes will need to be communicated to members to make them aware of their right to claim.

15. Prudential performance update – Additional Voluntary Contributions

15.1. Representatives from Prudential attended the SAB meeting in December 2021 to discuss the performance issues experienced by administering authorities since November 2020. At that meeting, Prudential agreed to produce a communication to explain:

- the issues that have arisen
- the steps that have and are being taken to resolve the situation, and
- the expected timescales for normal service to be resumed.

15.2. Prudential have now written to Jo Donnelly, Head of Pensions at the LGA, to provide this update. Robert Holloway shared the letter with pension managers by email on 13 May 2022 **Appendix B**.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pensions Committee Meeting 18 March 2022 Pensions Administration Report
Cabinet Member (Portfolio Holder) N/A
Local Member N/A
Appendices Appendix A – Performance Chart Appendix B – Prudential update letter