

Local Pension Board

16 March 2023

Pension Administration Report



Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

- 1 This report briefs the Board on the Fund's pension administration and service provision to members, as well as providing an update on key performance information.

Executive summary

- 2 Pension administration services have been provided to members uninterrupted since lockdown and working from home guidance. Communication with members has continued through the provision of the Fund's Telephone and Online Services. During the period following lockdown, the Fund paid benefits to 1,774 retirees.
- 3 In the third quarter of 22/23, 225 retirement cases were processed with 97.78% of those retirees receiving a statement within 10 days of the team receiving the necessary information. This report seeks to provide the Board an overview of pension administration performance.

Recommendation(s)

- 4 The Board is asked to note the report.

Background

- 5 This report provides an update to the Board on pensions administration performance, its key communications with members, and any issues impacting the service provided to scheme members.

Key Performance Indicators (KPIs)

- 6 Included in Appendix 1 are a number of Performance Indicators, with the aim of making the Board aware of administration performance in key areas. Reporting is included for the third quarter of 2022/23, ie. up to 31 December 2022. The data covers services to members in respect of retirement, deferment (leaving scheme before pension payable), Helpline support, and Online services.
- 7 Additionally, as the Fund develops enhancements to its KPI reporting to the Local Pension Board, data is now included for both Transfers and Estimates. These KPIs reflect how quickly a scheme member receives details of their cash-equivalent transfer value and projection of estimated retirement benefits respectively.
- 8 In the third quarter, the administration team processed 225 retirement cases. Measured in line with the Disclosure requirement of providing scheme members a statement containing retirement information within one months of retirement, the Fund met this target in 80.44% of the 225 cases. The majority of failures were as a result of late information from Fund employers. In respect of performance within the administration team's control, the Fund provided a statement containing retirement benefit information within 10 days of receiving all required information in 97.78% of cases in the quarter.
- 9 In respect of deferment cases, in line with Disclosure requirements the Fund provided 343 early leavers information as to their rights and options available. Of the 343 deferment cases, 95.34% of these cases were within one month of the Fund being notified of an early leaver.
- 10 The Fund received 23 requests for transfer-out information during quarter two. Of these requests, 100% of scheme members were provided information as to the transfer rights and options available to them within one month. Therefore, the administration team provided a quotation of the cash-equivalent transfer value to which a member is entitled in respect of 100% requests within three months.
- 11 In respect of Estimates, the Fund received 2,780 requests for a statement of estimate pension entitlement in the quarter. It should be noted that the vast majority of these requests are transacted through

the Fund's online Portal. Of 2,780 requests in the quarter, 100% were provided within two months of the initial request.

- 12 During the second quarter, the pension administration team received 3,712 telephone calls to the Fund's Helpline. Of these calls, the team answered 99.70% of scheme members' calls first time. In respect of Online services for members, 18,679 members have registered for the Fund's Pensions Online portal, where 29,853 online calculations have been completed, 13,971 changes have been transacted and 2,592 secure messages have been sent.
- 13 Recognising the key role played by the Fund's participating employers in delivering services to members, the Fund has commissioned training tailored for those employers. Three sessions were held in January 2023, covering:
 - (a) Understanding how the LGPS works
 - (b) Importance of Data – impact on members and employers
 - (c) Pensions terminology and historic issues
- 14 It is pleasing to note that 67 different representatives from the Fund's participating employers attended one or more of the sessions. Additionally, the Fund held its Annual Meeting on 9 November. The Annual Meeting provides an opportunity for the Fund to pass on relevant information and to enable participating employers to ask or raise any issues about the Fund. The Annual Meeting is designed to enhance the stewardship and reporting of the Fund's activities.

Services to members during Lockdown

- 15 From the beginning of the covid-19 crisis and UK lockdown, the pension administration team worked from home. During that time, the Fund's Telephone Helpline, Pensions Online Portal and email inbox were available to members uninterrupted. Since commencing working from home, the team processed 1,774 retirements (lump sums paid, new pensioner payroll records created), benefits were paid to 1,282 bereaved families, and 392 transfers were paid in or out.
- 16 From mid-September 2021 the Team returned to the office on a hybrid basis but in line with work from home guidance, the Team returned to home-based working in mid-December 2021. The Fund's teams have again returned to the office on a hybrid basis and continue to deliver services on a business-as-usual basis.

Prudential

- 17 Members of the LGPS are able to increase their benefits through an Additional Voluntary Contribution (AVC) facility. As such, each Administering Authority is required to have arrangements with an AVC provider (often an insurance company or building society). Durham County Council Pension Fund offers its members two providers: Prudential and Standard Life.
- 18 As reported to the Board previously, that one of those providers, Prudential, has recently introduced a new ICT system across its business. The implementation has resulted in delays for members who have invested through Prudential. In particular, claims for cash at retirement, and the processing of contributions had been delayed. Board Members were previously provided with a copy of communications received from Prudential.
- 19 The Fund is cautiously optimistic of improvement in the service received. Whilst issues remain with scheme members reporting extensive waiting times to their calls to Prudential., performance overall has improved with scheme members' contributions being allocated more quickly and remaining up to date. Disinvestment timescales have also improved and are currently within the 30-day SLA. Although the Fund received delayed accounting information for 20-21, the accounting information for 21-22 was received on time.
- 20 It is disappointing to note however, that some Prudential AVC members haven't been able to access their statements online over a period of one year due to a system issue. This has impacted three LGPS members at two different employers. Members who receive their Prudential statements in paper format have been unaffected. Whilst this is not a breach of the law for which the Fund is responsible, it has nevertheless been recorded on the Fund's breach register. Prudential have confirmed that they have self-reported to the Regulator, so there is not a requirement to consider reporting.
- 21 Both the Pensions Regulator (nationally) and External Auditor (locally) have been made aware of the wider issues. Prudential have recently written to the Local Government Association (LGA) with an update on the national position – a copy of which was previously shared with the Local Pension Board. Officers continue to monitor the situation and will continue to feedback to the Board.

Scheme Member Annual Communications

- 22 All Annual Benefit Statements for both Active and Deferred members of the Scheme were made available ahead of the statutory deadline of 31 August 2022. Unless a member has opted out of the service, the Statements were be made available through the Fund's Pensions

Online portal. A paper copy was provided to the small number of members who have opt-ed out.

- 23 At the request of the Local Pension Board, a customer satisfaction survey was included in the Annual Benefit Statements sent to both active and deferred members. The response rate, however, was extremely low. Officers will consider an alternative method of capturing Scheme Member satisfaction.
- 24 In April 2022 the Fund wrote to all of its c21,000 pensioners to notify those members of the annual increase. The letters were made available through the Fund's Pensions Online portal, and like Annual Benefit Statements, paper copies were posted to those who have opt-ed out of the online service. In addition to the rate of increase, important information for LGPS pensioners and topical relevant information was included. A copy of the Pensions Increase letter was previously shared with the Board.

Author(s)

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