

**Local Pension Board**

**15 June 2023**

**Pension Administration Report**



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## **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 fourth quarter of 22/23, 178 retirement cases were processed with 100% 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 fourth quarter of 2022/23, ie. up to 31 March 2023. 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 fourth quarter, the administration team processed 178 retirement cases. Measured in line with the Disclosure requirement of providing scheme members a statement containing retirement information within one month of retirement, the Fund met this target in 80.90% of the 178 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 100% of cases in the quarter.
- 9 In respect of deferment cases, in line with Disclosure requirements the Fund provided 306 early leavers information as to their rights and options available. Of the 306 deferment cases, 96.73% of these cases were within one month of the Fund being notified of an early leaver.
- 10 The Fund received 34 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 1138 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 1138 requests in the quarter, 100% were provided within two months of the initial request.

- 12 During the second quarter, the pension administration team received 3,527 telephone calls to the Fund's Helpline. Of these calls, the team answered 99.50% of scheme members' calls first time. In respect of Online services for members, 19,626 members have registered for the Fund's Pensions Online portal, where 34,236 online calculations have been completed, 16,967 changes have been transacted and 2,899 secure messages have been sent.

## **Scheme Employer Communications**

- 13 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.
- 14 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
- 15 It is pleasing to note that 67 different representatives from the Fund's participating employers attended one or more of the sessions.
- 16 Ahead of the implementation of the 2022 Valuation, effective from 1 April 2023, all participating employers were provided with their indicative contribution rate for the following 3 years. The rates were ultimately certified by the Fund Actuary ahead of the deadline of 31 March 2023, and the Valuation Report was published on the Fund's area of the council's website [www.durham.gov.uk/lgps](http://www.durham.gov.uk/lgps). As required, the Report was shared with the Scheme Advisory Board and DLUHC.
- 17 All employers were notified of the publication of the Valuation Report. At the same time, the Fund took the opportunity to provide an annual update to its participating employers, covering:
  - (a) Changes to pensions tax, as reported in the Board's Regulatory Update (paragraph 87)
  - (b) Revision to Employee Contribution Bands

- (c) Updated Payroll and HR Guides to the LGPS
- (d) Auto Enrolment Bands for 2023/24
- (e) Approach to Annual Benefit Statement Communications

### **Scheme Member Annual Communications**

- 18 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.
- 19 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.
- 20 In April 2023 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.

### **Prudential**

- 21 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.
- 22 As reported to the Board previously, one of those providers, Prudential, introduced a new ICT system across its business during 2020-21. The implementation resulted in delays for members who have invested through Prudential. In particular, claims for cash at retirement and the processing of contributions were delayed. Board Members were previously provided with a copy of communications received from Prudential.
- 23 The Fund remains cautiously optimistic of improvement in the service received. Occasional issues remain with scheme members reporting an increase in 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.

- 24 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.
- 25 Prudential recently reintroduced their 'LG AVC Forum', on which the Fund is represented. The forum is led by Prudential's Head of Corporate Pensions. As part of their drive to improve their service, it is proposed that these sessions are held every 6 months. Prudential are also working closing with LGA and the LGPS Technical Group, and are keen to improve engagement with both LGPS Funds and LGPS employers and hope that by investing time in these areas it will improve customer experience and expectation.
- 26 The update provided Officers with an insight into the changes implemented by Prudential in order to rectify the poor service experienced by many Funds, but also outlined the future changes planned for implementation, aimed at further service improvement.
- 27 Overall, Prudential are currently working within their expected service SLAs and their phone call abandonment rates are within industry standards. Going forward management information will be available to all Funds so that performance can be monitored at an individual fund level. This will be shared with the Board when available.
- 28 Prudential have recognised the challenges faced by many Funds regards receipt of AVC scheme revision information, which is required for inclusion in the Annual Report and Accounts. Whilst Prudential aim to get fully audited information to Funds by September 2023 (within their statutory deadline) they will be conducting an exercise during May which will provide an unaudited figure for Funds for use in the Annual Report and Accounts.
- 29 Officers will continue to monitor service levels and will feedback to the Board. A summary from the Prudential Forum is included in Appendix 2.

**Author(s)**

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