



## Local Government AVC Forum with M&G

18<sup>th</sup> May 2022

### Introduction

Thank you for attending the Forum last week. As promised, a summary of the slides and main messages has been provided.

I expect to run another of these Forum in November this year in order to ensure regular communication and engagement.

This summary is intended to provide Pension Fund officers with an Aide Memoire of the comments made in the Forum. It should not be used with scheme members.

If you have any questions, please contact the Corporate Pensions Client Management Team on [corporate.pension.enquiries@prudential.co.uk](mailto:corporate.pension.enquiries@prudential.co.uk)

Yours sincerely

A handwritten signature in black ink that reads "Alastair Hogg". The signature is written in a cursive style with a long horizontal stroke underneath.

Alastair Hogg

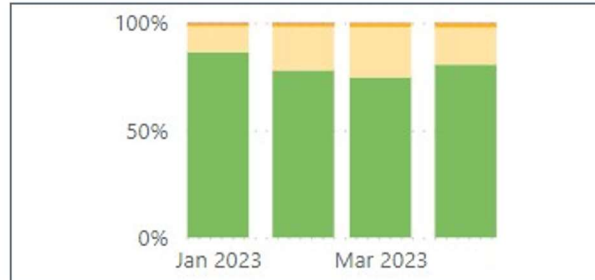
Head of Corporate Pensions

# Service Performance

## General Servicing Update – Year to End April

- End to end customer journey measurement is in place:
- Targets:
  - 80% of work in Upper
  - 95% in Upper and Lower
  - Less than 1% in Tail
- Overall general performance in 2023 has maintained improved levels of service experienced by scheme members
- Focus continues on delivery of service and further improvement activity to ensure this is maintained
- Complaint trends and customer insight are key drivers to understand where further improvements can be made

All Local Government AVC Schemes, January to April 2023



Closed date	Upper	Upper + Lower	Lower to tail	Tail	Total
01/04/2023	80.5%	97.7%	2.0%	0.4%	100%
01/03/2023	74.6%	98.0%	1.7%	0.3%	100%
01/02/2023	77.9%	98.1%	1.4%	0.5%	100%
01/01/2023	86.4%	98.3%	1.2%	0.5%	100%

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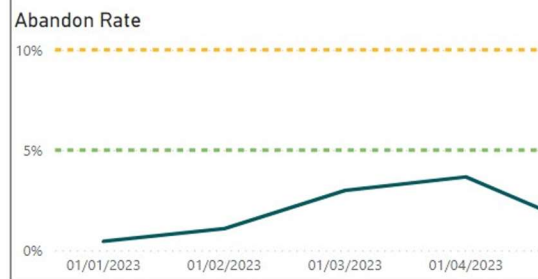
### Key Points

- Service is measured on an “end to end” Customer Journey basis meaning that the piece of work is only closed when the whole transaction has been completed.
- Following the poor performance of service in 2021, improvements to processes were introduced in 2022, the performance of service and administration has significantly improved. From an oversight perspective, it is expected that 95% of work will be in the Upper and Lower categories.
- Focus continues on maintaining service and improving quality of delivery.

# Voice Performance

## Voice Performance update – January to end April 2023

- Average wait times for calls is less than 2 minutes apart from end of Tax Year where this increased due to seasonal demand
- Voice abandonment rate averaging under 5% (industry standard), again impacted at end of tax year
- Program of activity in voice to enhance quality of customer interactions when on the telephone



Date	Offered	Answered	Aband'd	Ab Rate	ASA	AHT	Max Wait
01/05/2023	1,190	1,172	13	1.1%	31	747	405
01/04/2023	6,200	5,840	227	3.7%	148	778	7,544
01/03/2023	7,792	7,426	233	3.0%	109	734	2,755
01/02/2023	6,448	6,269	70	1.1%	50	681	2,150
01/01/2023	6,496	6,358	29	0.4%	22	702	969
<b>Total</b>	<b>28,126</b>	<b>27,065</b>	<b>572</b>	<b>2.0%</b>	<b>80</b>	<b>724</b>	<b>7,544</b>

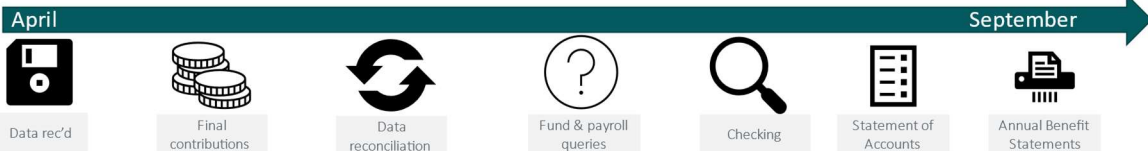
### Key Points

- M&G's voice teams have provided a stable service since the beginning of the year and indeed through much of 2022. Programme of activity underway to enhance customer experience when customers call
- An increase in call volumes in March and early April caused by Tax Year end meant that waiting times increased but not above the key measures.

# Scheme Revisions

## Scheme Revisions, Report and Accounts, Annual Benefit Statements

### Full Scheme Revisions Process



The Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 6.

### Snapshot Process



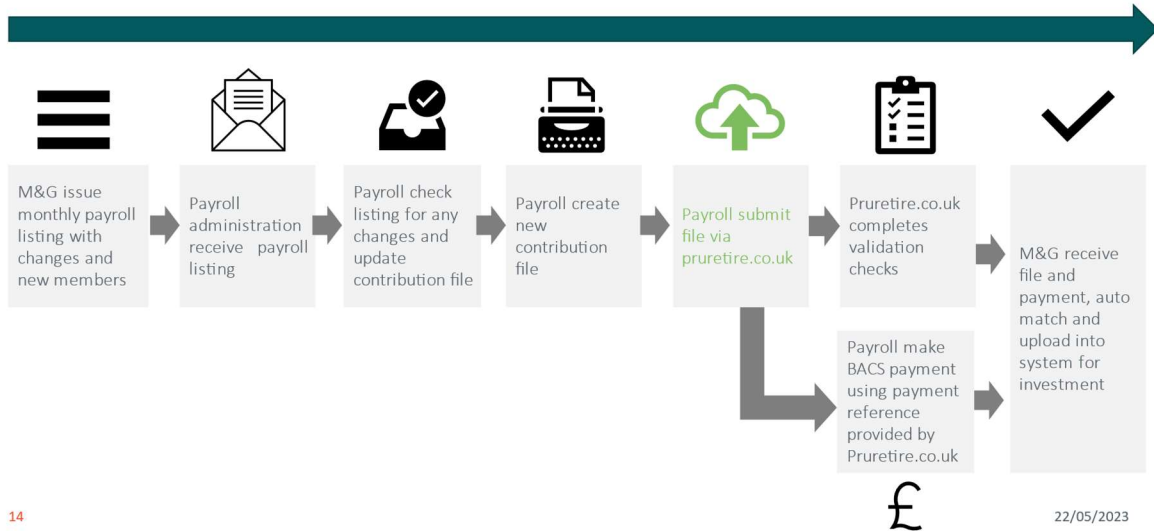
Snapshot of Funds Under Management on *Cash Accounting* basis as at 31<sup>st</sup> March can be provided to help pension funds complete annual statement of accounts. (As distinct from the *Accrual Accounting* basis provided by the full Revision process)

### Key Points

- The full scheme revision process which leads to the production of full Statement of Accounts and Annual Benefit statements, takes a number of months to complete.
- Final data and contributions can be received anywhere up to (and occasionally beyond) 22<sup>nd</sup> April.
- M&G is conscious of the need for Councils to include pension fund information in their draft accounts by 31<sup>st</sup> May.
- The full AVC statement of accounts cannot be made ready by 31<sup>st</sup> May.
- According to the LGPS Regulations 2016 Section 4 (1)(b), because AVCs are invested separately from the Pension Fund, they are not included in the accounts.
- In order to assist Councils, M&G is proposing to offer a “snapshot” of the AVC scheme funds under management at a specific date – 31<sup>st</sup> March – in order to give a reasonable indication of the funds but noting that the snapshot is not a reconciled and audited figure and is therefore subject to adjustment when the checked Statement of Accounts is provided to the scheme.

# Contribution Processing – Project Advance

## Contribution Processing



## Online submission rules

- Contribution files to use M&G specified format
- One contribution file and payment to be submitted per payroll per pay period
- Teachers pension and Local Government pension contributions to be ring fenced from each other, submitted on different files
- Contribution files to be submitted before payment is made
- BACS payment reference numbers will be provided by M&G's online portal. This matches the file to the payment
- Negative amounts on a contribution file will cause it to fail system validation
- The total amount on the contribution file must equal the BACS payment submitted

### Key Points

- This work is to introduce straight through processing of member contributions, removing the need for manual intervention or processing.
- Payrolls will be asked to upload data through M&G's secure portal and to observe file naming conventions
- M&G will contact payrolls to assist them through this process and provide support where required

## Member engagement

<https://www.mandg.com/pru/workplace-pensions/employees/public-avc-schemes/legal>

Your AVCs. Your future.

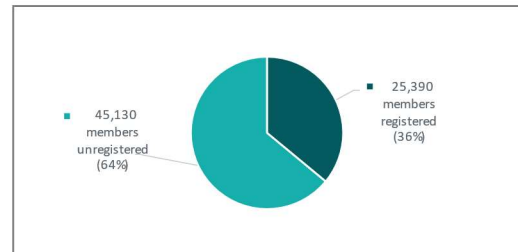


### LG AVC webpage usage (Main landing page)

- Main page visits: c6,000 hits per month
- Average dwell time: 5 mins
- New AVC page visits: c3,000 hits per month
- Tax relief page: c780 hits per month

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### LG Member registrations for MyPru



### Benefits of online registration

- Online benefit statements
- Increased number of documents available on line

### Key Points:

- There are two main M&G websites available for LGPS members. On the left is the information and online joining page. This page receives c6,000 hits a month.
- The other site is MyPru which allows scheme members to manage their savings for example by changing their investments or opting to increase their contributions.
- Members can also access their Annual Benefit Statements
- M&G can provide you with material to help encourage members to register for MyPru. The registration web address is [pru.co.uk/registernow](https://pru.co.uk/registernow)

### Pension Fund Administration Requests:

A request was made for there to be a simplified method of uploading administration requests from pension funds. M&G is investigating how this process might be improved. In the interim, a revised on line form has been created which will provide a better experience for administrators. The form is available using the link below:

<https://www.mandg.com/dam/pru/shared/documents/en/lavf10048.pdf>

# Technical Update

## Regulatory changes

### 1. Reasons to be cheerful 1, 2 and 3 -joining the dots

#### Simpler Annual Benefit Statements

- M&G launched the new Annual Benefit Statement ahead of the regulatory due date of 1<sup>st</sup> October 2022.
- The new style statement is being used for all DC Pension schemes (not just “workplace schemes”) as M&G believe this will drive greater pension engagement for all scheme members.
- 2 page statutory summary information at front with the usual ABS information in the additional information sections
- The new style statement will be available online as well as loose leaf paper version which uses less paper than the booklet format previously used.

#### Pensions Dashboard

- M&G has an active project to support delivery and is working with the Pensions Dashboard to the current timeline to connect and provide data by June 2023. Customer testing is ongoing through 2023 with a target go live date of 2024 for members.
- M&G is appointing Heywoods to be our 3rd party ISP provider to connect to the MaPS Pensions Dashboard.
- Implementation date has been delayed DWP working on updated timetable for schemes to provide data to Dashboard to be published before Summer recess 2023

#### Financial Reporting Council AS TM1 SMPI valuation assumptions and illustrations

- M&G has an active project to update the assumptions used in the ABS and Dashboard
- All statements issued from 1<sup>st</sup> October 2023
- Standardised assumptions on investment returns and inflation
- Standardised pension illustrations:
  - No lump sum
  - Pension payable for members lifetime monthly in advance
  - Single life only
  - 5 year guarantee period
- Enables a simple like for like comparison between schemes.

## Regulatory changes

### 2. Spring Budget 2023

#### Lifetime Allowance (LTA)

- 2024/25 onwards – to be abolished
- 2023/24 – remains at £1,073,100
- BUT – no LTA Excess Charge (previously 55% if taken as lump sum / 25% if taken as pension) instead taxed as additional income at individual’s highest marginal rate
- Standard maximum lump sum frozen at 25% of 2023/24 LTA £268,275 based on £1,073,100

#### LTA Protections

- From 6 April 2023 individuals able to build up further pension without losing existing LTA protections
- Higher maximum lump sums for individuals earlier LTA protections.

#### Other Allowance changes 6 April 2023

- **Annual Allowance (AA)** increased from £40,000pa to £60,000pa
- **Money Purchase Annual Allowance (MPAA)** increased from £4,000 to £10,000pa
- **Tapered Annual Allowance (TAA)** increased from £4,000 to £10,000, with increases to the start of the income point for adjustment to income (from £240,000 to £260,000)

#### Other pension tax changes Addressing the “Net Pay Anomaly”

- To be introduced from 2024/25 tax year
  - Tax relief for pension contributions for non tax payers in “Net Pay schemes”
  - HMRC will invite eligible pension members to apply, with basic rate tax credit to their bank account on their pension contributions
  - Brings pensions tax relief into line with individuals paying contributions through “Relief at Source schemes”

# Technical Update

## Regulatory changes 3. Other areas of interest

### Normal Minimum Pension Age (NMPA)

NMPA increases from 55 to 57 on 6 April 2028

- Protections in place in respect of individuals in pension scheme before 4 November 2021 where scheme rules at 11 February 2021 provided for unqualified right to a minimum pension age below 57.
- M&G verifying scheme rules provisions with Trustees / Statutory scheme sponsors– LGA confirmed unqualified right to age 55
- Individuals with Protected Pension Age transferring to another pension scheme may be able to retain protected age on transfer to another scheme
- NMPA 57 applies for new starters 4 November 2021 onwards
- Existing protected pension age below age 55 remain

### Increase to National Minimum Wage

- Rate increased 1 April 2023 from £9.50ph to £10.42
- Increases minimum threshold for salary sacrifice

Hours	1 April 2022	1 April 2023
35 hours per week	£17,290	£18,964
40 hours per week	£19,760	£21,674

- Some members paying through Salary Sacrifice could be affected and may need to fall out of these arrangements.

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