

**Local Pension Board**

**14 September 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 the extension of working from home. Communication with members has continued through the provision of the Fund's Telephone and Online Services. To date, 20,466 scheme members have registered for the Fund's online portal.
- 3 In the first quarter of 2023/24, 224 retirement cases were processed with 96.88% 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 first quarter of 2023/24, ie. up to 30 June 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 first quarter, the administration team processed 224 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 83.04% of the 224 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 96.88% of cases in the quarter.
- 9 In respect of deferment cases, in line with Disclosure requirements the Fund provided 316 early leavers information as to their rights and options available. Of the 316 deferment cases, 94.62% of these cases were within one month of the Fund being notified of an early leaver.
- 10 The Fund received 31 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 3,249 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 3,249 requests in the quarter, 100% were provided within two months of the initial request.

- 12 During the first quarter, the pension administration team received 3,736 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, 20,466 members have registered for the Fund's Pensions Online portal, where 38,821 online calculations have been completed, 17,644 changes have been transacted and 3,161 secure messages have been sent.
- 13 There are no material breaches of law to report to the Local Pension Board, but a full summary of breach monitoring and minor breaches will be presented to the Board in December.

### **Scheme Employer Communications**

- 14 The Fund held its Annual Meeting on 9 November 2022. 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. The Fund's next Annual Meeting will be held on 9 November 2023 – all employers will be invited to attend
- 15 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
- 16 It is pleasing to note that 67 different representatives from the Fund's participating employers attended one or more of the sessions.
- 17 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.

- 18 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 previous Regulatory Updates to the Local Pension Board
  - (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
- 19 On 10 August 2023 the Scheme Advisory Board published a detailed report that pulls together data from all of the 2022 local fund valuation reports. This 2022 Scheme Valuation Report aims to provide a rich source of information about a range of vital issues for scheme members, employers and other stakeholders. A copy of both the scheme-wide report, and the Fund's 2022 Valuation Report is included on the Board's agenda.
- 20 Officers are in the process of upgrading the Fund's online Employer Hub. It is anticipated that this will improve the service provided to participating employers and offer the same level of enhancement as the Fund's scheme member portal. By offering more efficient interactions between Fund and Employers, service levels to scheme members should also be enhanced.

### **Scheme Member Annual Communications**

- 21 All Annual Benefit Statements for both Active and Deferred members of the Scheme were made available ahead of the statutory deadline of 31 August 2023. Unless a member has opted out of the service, the Statements were made available through the Fund's Pensions Online portal. A paper copy was provided to the small number of members who have opted out. A copy of the statement is included for the Board's information.
- 22 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 opted out of the online service. In addition to the rate of increase, important information for LGPS pensioners and topical relevant information was included.

## Prudential

- 23 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.
- 24 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.
- 25 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.
- 26 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.
- 27 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.
- 28 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.
- 29 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.

- 30 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 the end of September 2023 (within their statutory deadline) they conducted an exercise during May which provided an unaudited figure to the Fund for use in the Annual Report and Accounts.
- 31 Officers will continue to monitor service levels and will feedback to the Board.

**Author(s)**

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