

**Local Pension Board**

**7 December 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 second quarter of 2023/24, 271 retirement cases were processed with 99.26% 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 two quarters of 2023/24, ie. up to 30 September 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 second quarter of 2023/24, the administration team processed 271 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 81.55% of the 271 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 99.26% of cases in the quarter.
- 9 In respect of deferment cases, in line with Disclosure requirements the Fund provided 505 early leavers information as to their rights and options available. Of the 505 deferment cases, 94.26% of these cases were within one month of the Fund being notified of an early leaver.
- 10 The Fund received 26 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 4,222 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 4,213 requests in the quarter, 100% were provided within two months of the initial request.

- 12 During the second quarter, the pension administration team received 3,686 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 March.

### **Scheme Employer Communications**

- 14 The Fund held its Annual Meeting on 9 November 2023. 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.
- 15 Recognising the key role played by the Fund's participating employers in delivering services to members, the Fund has previously 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 was previously shared with the Board.
- 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.
- 21 Working in collaboration with the Fund's software supplier on its development, development of the Hub represents significant step forward as the Fund seeks to further digitise its processes and interactions with its employers. The new web-based portal will facilitate more streamlined and efficient workflows and reduce manual tasks with the aim of improving productivity. The Hub seeks to enhance the experience of employer participation in the Fund and provide easier access to important information and services.
- 22 Fund Officers have carried out extensive testing on the new Hub, undertaking testing on hundreds of individual test cases executed over several weeks. The Team evaluated all features and functionality of the module, from user interface elements to back-end processes, ensuring they met or exceeded the established practices. This rigorous testing phase served to identify and rectify potential issues, ensuring a seamless and efficient user experience upon launch.
- 23 It is intended to roll out the new Hub to selected scheme employers in the early part of 2024 giving them a 3 month window to provide feedback. Following on from this live testing, all feedback will be reviewed and the Fund's Systems Team will implement any

improvements identified by the test group. The final product will then be rolled out to all employers and training/assistance provided by the Systems Team.

## **Scheme Member Annual Communications**

- 24 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 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. A copy of the was previously shared with the Board.
- 25 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**

- 26 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.
- 27 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.
- 28 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. AVC members were provided with benefit statements from Pru within the statutory timescales for 2022-23.

- 29 Both the Pensions Regulator (nationally) and External Auditor (locally) were made aware of the wider issues. Prudential have 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.
- 30 Prudential have 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.
- 31 These updates provide 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.
- 32 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.
- 33 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 sent fully audited information to in 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.
- 34 Officers will continue to monitor service levels and will feedback to the Board.

## **McCloud**

- 35 After reforming public service pension schemes in 2014 and 2015, the Government introduced transitional protections for older members. However, in December 2018, the Court of Appeal ruled that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them. This ruling is called the 'McCloud

judgment'. As a result of the ruling, changes have been made to the LGPS to remove the age discrimination. These changes are known as the 'McCloud remedy', on which the Board has been briefed previously and whose main provisions are set out elsewhere on the agenda.

- 36 The Fund has been collecting and inputting missing service data for the period from 1 April 2014 from all scheme employers, with data received from the largest employers and the majority of smaller employers.
- 37 The Fund's software provider is developing a rectification solution which will enable both calculations going forward and the re-visiting of historic calculations to apply the 'McCloud Remedy', with testing across scheme administrators currently ongoing.

## **Dashboard**

- 38 The Board have previously been briefed on the upcoming Pensions Dashboard initiative. The Fund is committed to contributing to the success of the project, recognising its role in facilitating better retirement planning for individuals. A key aspect of the Fund's preparation is data cleansing and ongoing management of data quality.
- 39 As part of its commitment, the Fund is therefore considering data cleansing options. Recognising that the efficiency of the Pension Dashboard Project relies on the quality of data across the industry, the Fund will seek to eliminate any inconsistencies or errors within the existing dataset.

## **GMP Rectification Project (Guaranteed Minimum Pension)**

- 40 The Board has previously considered the Fund's approach to the rectification stage of the national GMP reconciliation/rectification project. This was a HMRC project in which all contracted-out pension schemes were obliged to participate. The reconciliation stage of the project identified individuals who had a liability with the Pension Fund. The rectification stage of the project compared the GMP value held by the Fund, against the GMP value held by HMRC. Where there was a variance in the amounts, the Fund was required to implement the GMP value from HMRC.
- 41 Any amount of GMP accrued before 1988 is not due to an increase from the Pension Fund, as this increase is paid with the individual's State Pension. Similarly, any GMP accrued after 1988 is only allowed the first 3% of any increase paid by the Fund, again any excess is paid with the State Pension.

- 42 The way in which the GMP element is increased means that adjusting the amount of GMP held by the Fund resulted in the total pension amount being over or underpaid. The Fund took the approach to rectify all pensions amounts to the correct rate, pay any arrears to those who had been underpaid but write-off any overpayments.
- 43 This rectification work was brought to a conclusion in October 2023, with the Fund communicating with affected pensioners ahead of October pensions payroll. As previously highlighted to the Board and Committee in March 2023, individual overpayments would be exacerbated by the April 2023 pensions increase of 10.10%. However, around 550 pensions in payment were adjusted and despite this higher than usual rate of inflationary increase, 83% of pensions changed by no more than £10 per month.
- 44 The total amount of arrears paid to underpaid pensioners was c£41k whilst the total amount of overpayments written-off by the Fund was c£171k. Both the value of arrears and value of write offs compare favourably with initial modelling. The number of pensions in payment requiring rectification were lower than initially anticipated at the beginning of the project, and less than amounts experienced by similarly sized LGPS Funds who have completed their rectification. This is at least in part, due to accurate historic record keeping.
- 45 The Pensions Team have received a very low volume of telephone queries from impacted pensioners, and a single letter of complaint.

**Author(s)**

Paul Cooper

Tel: 03000 269798