



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 The Fund is focused on providing a quality service to its members, throughout their membership, ultimately ensuring timely payment of accurate pensions. The Fund continues to seek to develop its approach to communication, seeking to effectively utilise the Fund's Telephone and Online Services. To date, 22,438 scheme members have registered for the Fund's online portal.
- 3 In the final quarter of 2023/24, 188 retirement cases were processed with 96.28% of those retirees receiving a statement within 10 days of the team receiving the necessary information to do so. This report seeks to provide the Board an overview of key pension administration performance information.

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 final quarter of 2023/24, as well as the respective numbers for 2023/24. 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. Revised guidance on the production of LGPS KPI data has recently been issued and is covered in more detail in the Regulatory update elsewhere on the Board's agenda.
- 8 In the final quarter of 2023/24, the administration team processed 188 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 77.13% of the 188 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 98.28% 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, 99.02% of these cases were within one month of the Fund being notified of an early leaver.
- 10 The Fund received 33 requests for transfer-out information during quarter four and of these requests, 100% of scheme members were provided information as to the transfer rights and options available to them within one month. In the quarter, 48 cash-equivalent transfer values were supplied to scheme members, of which 81.25% were within three months of the initial request.

- 11 In respect of Estimates, the Fund received 4,932 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 4,932 requests in the quarter, 100% were provided within two months of the initial request.
- 12 During the second quarter, the pension administration team received 3,611 telephone calls to the Fund's Helpline. Of these calls, the team answered 98.90% of scheme members' calls first time. In respect of Online services for members, 22,438 members have registered for the Fund's Pensions Online portal to date, where 51,153 online calculations have been completed, 20,672 changes have been transacted and 4,038 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 for the year ended 31 March 2024 is included on the Board's agenda.
- 14 A summary of Pension Administration Performance is included in Appendix 1.

Scheme Employer Communications

- 15 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.
- 16 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
- 17 It is pleasing to note that 67 different representatives from the Fund's participating employers attended one or more of the sessions.
- 18 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. As required, the Report was shared with the Scheme Advisory Board and DLUHC.

- 19 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
- 20 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.
- 21 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.
- 22 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.
- 23 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.

- 24 It is intended to roll out the new Hub to selected scheme employers in 2024 with a 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

- 25 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 was previously shared with the Board.
- 26 In April 2024 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.

AVCs

- 27 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.
- 28 The Fund regularly monitors performance of all AVC providers to ensure that member's AVC benefits are processed within agreed SLAs. Where concerns are raised either by a Scheme Member or a Scheme Employer, the Fund is able to escalate issues directly with an Account Manager at each provider. Overall the AVC providers are all currently working within their expected service SLAs and phone call abandonment rates are within industry standards.
- 29 During 2023 Prudential 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, t

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.

- 30 LGPS Employers in the Fund now have the option to implement a Salary Sacrifice AVC (SSAVC) scheme via a service provided by AVC Wise. This scheme has been popular nationally amongst LGPS Employers; and the Pension Fund currently has five employers offering the scheme to their staff, including its largest employer Durham County Council. The SSAVC scheme has advantages to both Scheme Members and Employers, due to the NIC savings associated with paying an AVC via salary sacrifice. This provides members with a cheaper, more affordable way to save extra towards retirement, whilst reducing staff costs for Employers.
- 31 Officers have monitored the implementation of the AVC Wise scheme amongst the five Fund Employers, each of which has gone smoothly and has correlated with an increase in AVC take up amongst employees at those employers.
- 32 Officers will continue to monitor service levels and will feedback to the Board.

McCloud

- 33 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.
- 34 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.
- 35 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

- 36 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.
- 37 As part of its commitment, the Fund is finalising a data improvement plan. 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.

Author(s)

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