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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 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, 26,116 scheme members have registered for the Fund's online portal.
- 3 In the first quarter of 2024/25, 286 retirement cases were processed with 95.10% of those retirees receiving a statement within 10 days of the team receiving the necessary information to do so.
- 4 This report seeks to provide the Board an overview of key pension administration performance information relating to services to the Fund's scheme members. In addition to the Local KPI monitoring regularly provided to the Board, additional information relating to KPIs in revised guidance is included to assist the Board in monitoring the Fund's service delivery.

**Recommendation(s)**

- 5 The Board is asked to note the report.

## Background

- 6 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.

## Local Key Performance Indicator (KPI) Monitoring

- 7 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 2024/25, as well as the respective numbers for previous financial years. The data covers services to members in respect of retirement, deferment (leaving scheme before pension payable), Helpline support, and Online services.
- 8 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.
- 9 In the first quarter of 2024/25, the administration team processed 286 retirement cases. Measured in line with the Disclosure requirement of providing scheme members a statement containing retirement information within two months of retirement, the Fund met this target in 82.87% of the 286 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 95.10% of cases in the quarter.
- 10 In respect of deferment cases, in line with Disclosure requirements the Fund provided 263 early leavers information as to their rights and options available. Of the 263 deferment cases, 97.34% of these cases were within one month of the Fund being notified of an early leaver.
- 11 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, 21 cash-equivalent transfer

values were supplied to scheme members, of which 95.24% were within three months of the initial request.

- 12 In respect of Estimates, the Fund received 3,933 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 3,933 requests in the quarter, 100% were provided within two months of the initial request.
- 13 During the second quarter, the pension administration team received 4,083 telephone calls to the Fund's Helpline. Of these calls, the team answered 99.10% of scheme members' calls first time. In respect of Online services for members, 26,116 members have registered for the Fund's Pensions Online portal to date, where 55,872 online calculations have been completed, 21,872 changes have been transacted and 4,398 secure messages have been sent.
- 14 There are no material breaches of law to report to the Local Pension Board in the quarter, but a full summary of breach monitoring and minor breaches for the year ended 31 March 2024 was included on the Board's agenda in June.
- 15 A summary of Local Pension Administration KPIs are included from page 2 of Appendix 1.

### **Scheme-Standard KPI Monitoring**

- 16 The updated guidance for preparing the LGPS Fund Annual Report contains provisions for standardised performance indicators to be used across the LGPS in England and Wales. This guidance is the first publication which has been reviewed and jointly approved by the SAB's Compliance and Reporting Committee (CRC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and MHCLG. It replaces the 2019 guidance produced by the CIPFA Pensions Panel, which was disbanded in 2021.
- 17 The new guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years. The guidance outlines that funds should use their best endeavours to comply with the requirements for 2023/24 but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. The guidance will be kept under regular review.

- 18 The guidance is available online at:  
<https://lgpsboard.org/images/Guidance/Annual%20Report%20Guidance%202024.pdf>.
- 19 The Fund has begun the implementation of these 'Scheme-Standard' KPIs, to assist the Board with their monitoring of the Fund's service delivery. The Scheme-Standard KPIs are set out from page 6 of Appendix 1. On page 8, are a number of KPIs which follow the new guidance and will be reported to the Board quarterly. It is anticipated that over time, this set of KPIs which will become standard across the LGPS, will replace the Fund's own local KPIs.
- 20 It can be noted that the range of KPIs are broadly similar to the reporting Officers already provide to the Board in the local KPI reporting, with only minor differences in the time periods measured.
- 21 The monitoring for the first Quarter of 2024/25 shows that following the death of a scheme member, the Fund contacted the bereaved family / next of kin / solicitors within 5 days of being notified of a death in 90.76% of cases processed (B1). It should be noted that it is not always appropriate to write out this soon, for reasons of sensitivity. Additionally, the Fund the sets up processes (and measures this KPI) as soon as it finds out about a death – the Fund does not necessarily know the details of the next of kin at this stage (for example when being notified by a current or former employer).
- 22 In terms of retirement monitoring, in 98.23% of cases processed during the first quarter, communications outlining retirement options were issued to retirees within 15 days of the Fund being able to do so (B4). Similarly, the Fund issued options in respect of prospective deferred pensions coming into payment within 15 days, in 97.28% of cases processed (B5). 99.52% of retirement cases were finalised within 15 days of the Fund being able to do so (B6); and 98.47% of retirement lump sums were paid within 15 days of the Fund being able to do so (B7). Along with deaths, retirements are the Fund's highest priority area of processing. Retirement estimates (B15) processed in the quarter were all issued (100%) within 15 days.
- 23 In respect of early leavers from the Fund, in the first quarter of 2024/25 the Fund outlined deferred benefit options to leavers within 30 days for 97.34% of cases processed (B8). For scheme members leaving without an entitlement to benefits, refunds of contributions were paid within 10 days of the Fund being able to do so, in 87.50% of cases processed in quarter one (B11). It should be noted, that whilst this is slightly lower performance than all of the Fund's other KPI measures, early leavers and in particular those without an

entitlement to benefits, are the Fund's lowest priority area of processing.

- 24 For transfers into the Fund processed during the quarter, in all cases (100%) relevant communications were issued to members within 15 days (B9). Regarding scheme members transferring out, relevant communications were issued to members for all cases (100%) completed in the quarter, within 15 days (B10). The Fund issued all (100%) divorce quotations in the quarter within 45 days (B12).
- 25 Pages 10-11 and 13-19 of Appendix 1 set out the KPIs which the Fund will report annually within its Annual Report – it is not proposed to report these measures to the Board with any greater frequency. Fund Officers have reviewed the guidance and expect to comply with the majority of reporting requirements for the 2023/24 Annual Report, but will exercise judgement where to do so would require disproportionate effort or cost. These annual measures will be presented to the Board in December, following completion of the Annual Report.
- 26 Finally, set out in Page 12 of Appendix 1 are the limited number of KPIs which the Fund is still developing and/or undertaking quality assurance of the data. It is anticipated that performance against all of these four measures will be reported to coming Board meetings, before the end of the municipal year.

## **Scheme Employer Communications**

- 27 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. The next Annual Meeting will be held on 7 November 2024.
- 28 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

- 29 It is pleasing to note that 67 different representatives from the Fund's participating employers attended one or more of the sessions.
- 30 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.
- 31 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
- 32 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. Further detail on the Government Actuary Department's review of the 2022 Valuations is included elsewhere on the Board's agenda.
- 33 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.
- 34 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.

- 35 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.
- 36 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**

- 37 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.
- 38 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.
- 39 At the time of writing, all Annual Benefit Statements for deferred and active members of the scheme have been calculated and uploaded to the Fund's Online Portal and notifications are due to be issued to scheme members before the statutory deadline of 31 August.

## AVCs

- 40 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.
- 41 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.
- 42 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, 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.
- 43 LGPS Employers in the Fund now have the option to implement a Salary Sacrifice AVC (SSAVC) scheme via a service provided by My Money Matters (formerly AVC Wise). This scheme has been popular nationally amongst LGPS Employers; and the Pension Fund currently has six employers offering the scheme to their staff, including its largest employer Durham County Council.
- 44 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.
- 45 Officers have monitored the implementation of the AVC Wise scheme amongst Fund Employers, each of which has gone smoothly and has correlated with an increase in AVC take up amongst employees at those employers.
- 46 AVC providers are required to send the Pension Fund annual accounting information, for inclusion in the Fund's Annual Report and Accounts. Although this information has a statutory deadline of 30 September, LGPS AVC providers are aware of the Fund's obligation



to publish the Report and Accounts at a much earlier date. Both Standard Life and Prudential were able to provide this information within Durham's deadlines and the figures were included in the Pension Fund's 2023-24 Annual Report and Accounts document.

- 47 Officers will continue to monitor service levels and will feedback to the Board.

## **McCloud**

- 48 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.
- 49 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.
- 50 Officers of the Fund continue to work closely with its software supplier with imminent updates to support the upload of data from employers, as well as delivery of a module to allow for the calculating of service for missing data. A dedicated McCloud project team is now in place. Once all data has been successfully uploaded, the McCloud remedy will be applied to all 'new' leavers. A module is expected to become available from our software supplier in the New Year, to allow a bulk recalculation of all historical cases.

## **Dashboard**

- 51 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.

- 52 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.
- 53 A specific update on the approach that the Fund will follow is included elsewhere on the Board's agenda.

**Author(s)**

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