

26 January 2021

<b>Report Title</b>	Pensions Administration Benchmarking and Accreditation	
<b>Originating service</b>	Pension Services	
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## Recommendations for noting:

The Pensions Board is asked to note:

1. The initial results and key outcomes of the benchmarking exercises undertaken for 2019/2020 for the Fund's Pension Administration Services.
2. The achievement of the Pension Administration Standards Association (PASA) Accreditation.
3. Submission of the annual TPR Administration Survey.

## **1.0 Purpose**

- 1.1 To inform the Board of the outcomes of the benchmarking and accreditation exercises undertaken in relation to 2019/2020 for the delivery of Fund's Pension Administration Services.

## **2.0 Background**

- 2.1 Undertaking external assessments is vital to help drive improvements and assess value for money. By measuring a range of functions and comparing performance to similar organisations and best practice standards, the Fund can identify areas of strength and those which may benefit from review and improvement, providing the Committee and Local Pensions Board independent assurance on the service the Fund provides.
- 2.2 The Fund participates in annual benchmarking exercises, one for Pension Administration and one for Investment Management undertaken by a global third party organisation, CEM Benchmarking Inc. CEM is a specialist investment and pension administration benchmarking and research organisation which the Fund has utilised to assess value for money in implementation of investment strategy for the last four years. In 2018/2019, CEM expanded their benchmarking to include the LGPS Pension Administration services and the Fund was one of eight participating in the first year of research specific to the LGPS. The 2020 benchmarking exercise includes UK pension schemes providing defined pension benefits with an average membership size of 308,877.
- 2.3 In addition, the Fund is a member of the CIPFA benchmarking club for Pension Administration, which aims to collect the transactional volumes and processing costs for administering the LGPS using the SF3 definitions and is a comparator for LGPS Funds. The Pensions Administration Benchmarking Service for CIPFA is currently finalising the outcomes to share with Funds.
- 2.4 The Pensions Administration Standards Association (PASA) is a non profit organisation and membership only, which has been established since 2011, aiming to promote and improve the quality of pensions administration services for UK pension schemes. As part of its aim to drive standards in pension administration, PASA publish guides on best practice and participate in a number of national groups, drawing up codes of practice in pension administration. In addition, the group have designed and launched an independently assessed accreditation programme. Earlier in the year the Fund decided to apply for the accreditation to demonstrate the standards and controls in place for the administration function.

## **3.0 Key observations – CEM Benchmarking**

- 3.1 The Fund's peer group for CEM benchmarking comprised of 14 pension schemes and was selected based on scheme size and membership mix, all of which are administered in-house. The peer group consists of eight large local government pension funds, and a selection of larger UK private sector defined benefit schemes.
- 3.2 The benchmarking report compares headline costs and the levels of service provided, but also take a broader look at how services are delivered and provide a measure of

value added. Overall and in general, key drivers of lower cost include employee salary levels, spend on capital projects and direct costs such as accommodation.

- 3.3 Benchmarking a service on cost in isolation provides very limited insight, and further context is required to enable a measure for value for money. CEM measures Funds on 'member service', which is defined from a member's perspective, with a higher scoring for service based on the provision of more communication channels, faster turnaround times, and more availability of tools and choice.
- 3.4 Overall, the Fund's member service score was in line with the peer median and showed an increase from 2018/2019. The Fund saw an improvement and / or scored higher than its peers in several key areas including;
- A higher volume of face to face support to members, and in particular recognising the 'in field work' undertaken by the Fund across the year to hold support sessions in places convenient for members.
  - The wider support and services available on our online portal, in particular noting the Fund has all the core functionality that pensioners look for in an online facility, whereas a number of the peers have some but not all these features.
  - It was recognised that the Fund has a higher percentage of members registered and using the online portal (21% of deferred members used the secure website last year, compared to the peer median of 14%). Since the submission of the data, the Fund has also introduced additional functionality for deferred members which includes an online calculator, supporting continual improvement in this area.
  - The Fund's average turnaround times on some key casework are faster than those of our peers. In addition, the Fund saw an improvement in the timeliness of putting pensions into payment for both deferred and active members compared to 2018/19.
  - Improvements on the provision of telephone services for members, reducing the average call waiting time compared to 2018/2019.
- 3.5 The Fund services a higher than average number of employers compared to the peers and the Fund was recognised for its dedicated employer online services and the higher level of functionality available for employers. In addition, the Fund uses more employer specific service targets to measure the service and holds a higher number of meetings with our employer base.

#### **4.0 PASA Accreditation**

- 4.1 The accreditation is made up of eleven key areas and topics which include, measurement and reporting, data quality, change management, feedback, operational procedures and management and development of our people.

- 4.2 The accreditation process is divided into two core testing stages and starts with a desktop review where the Fund responds to key questions and provides documentation and evidence for its response, which is reviewed remotely by an independent assessor. Following the completion of this review, the assessors undertook 'field work' where they tested the information provided, looking at a number of examples to test against the Fund's processes. In addition, the independent assessors interviewed a selection of staff from a variety of teams and levels within the organisation.
- 4.3 In November, the Fund were informed that the submission for the accreditation had successfully been achieved. The Fund are the first Local Government Pension Fund in England and Wales to achieve the accreditation, demonstrating the best practice standards and controls the Fund has in place.
- 4.4 The accreditation stands for three years and the Fund will undertake an annual self-certification to confirm the continued position with PASA.

## **5.0 Summary and next steps**

- 5.1 The benchmarking exercise demonstrates the Fund continues to provide a value for money service within pension administration, with improvements in service standards over the last year. Work continues to develop services to enable the efficient and effective administration function, responding to increasing demand for services. It must be noted that research undertaken by CEM suggests a low correlation between cost and service, noting schemes are better to focus on service improvements that can be implemented cost effectively whilst ensuring resources are in place to deliver business as usual support to the standards expected by pension members.
- 5.2 Work continues to develop on the Digital Transformation Programme at the Fund, with the aim of the programme to transform areas of high work volume through the use of information and technology, driving business efficiencies and cost savings whilst improving the service we provide to our members. As part of this programme, we are already addressing the increase demand for frontline member and employer services, for example, the implementation of a new employer portal with additional functionality enabling employers to further self-serve.

## **6.0 The Pension Regulator's (TPR) Annual Administration Survey**

- 6.1 TPR have launched this survey to better understand the day-to-day experience of administrators, but also the risks to savers (e.g. around pension scams). The survey enables the Fund to inform TPR about the issues facing pension administrators to aid their understanding of where, and how, we can best work together to drive up standards. This is a new survey and is distinct from TPR's annual Public Service Governance & Administration Survey, which is due in early 2021.
- 6.2 The survey looks at a variety of areas of administration including, but not limited to accreditations and professional body memberships held by the Fund, resourcing and capacity, systems and use of automation, management and prevention of pension scams and data quality.

6.3 The survey was completed by the Fund and submitted by the deadline of 22 December 2020. A summary of any notable outcomes of the survey will be shared Board as these become available.

## **7.0 Financial implications**

7.1 There are no direct financial implications arising from this report.

## **8.0 Legal implications**

8.1 There are no direct legal implications arising from this report.

## **9.0 Equalities implications**

9.1 There are no direct equalities implications arising from this report.

## **10.0 Environmental implications**

10.1 There are no direct environmental implications arising from this report.

## **11.0 Human resources implications**

11.1 There are no direct human resources implications arising from this report.

## **12.0 Corporate landlord implications**

12.1 There are no direct corporate landlord implications arising from this report.

## **13.0 Schedule of background papers**

13.1 None.

## **14.0 Schedule of appendices**

14.1 None.