

<b>Report Title</b>	Pensions Administration Report from 1 October to 31 December 2020	
<b>Originating service</b>	Pension Services	
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#### **Recommendations for decision:**

The Pension Committee is recommended to:

1. Approve the 12 applications for admission from employers into the Fund and note the 3 cases approved by urgent decision by the Director of Pensions.
2. Approve the updated Internal Dispute Resolution Procedure.
3. Approve the write-offs detailed in section 13 of this report.

#### **Recommendations for noting:**

The Pension Committee is asked to note:

1. Performance and workloads of the key pension administration functions.
2. Development of the Fund's membership and participating employers.
3. The ongoing work to improve efficiency and ensure consistency of processing and record keeping.
4. The Fund's pledge to the Pension Regulator to combat pension scams and protect scheme members.

## 1.0 Purpose

1.1 To inform Committee of the routine operational work undertaken by the pensions administration service areas during the period 1 October to 31 December 2020.

## 2.0 Background

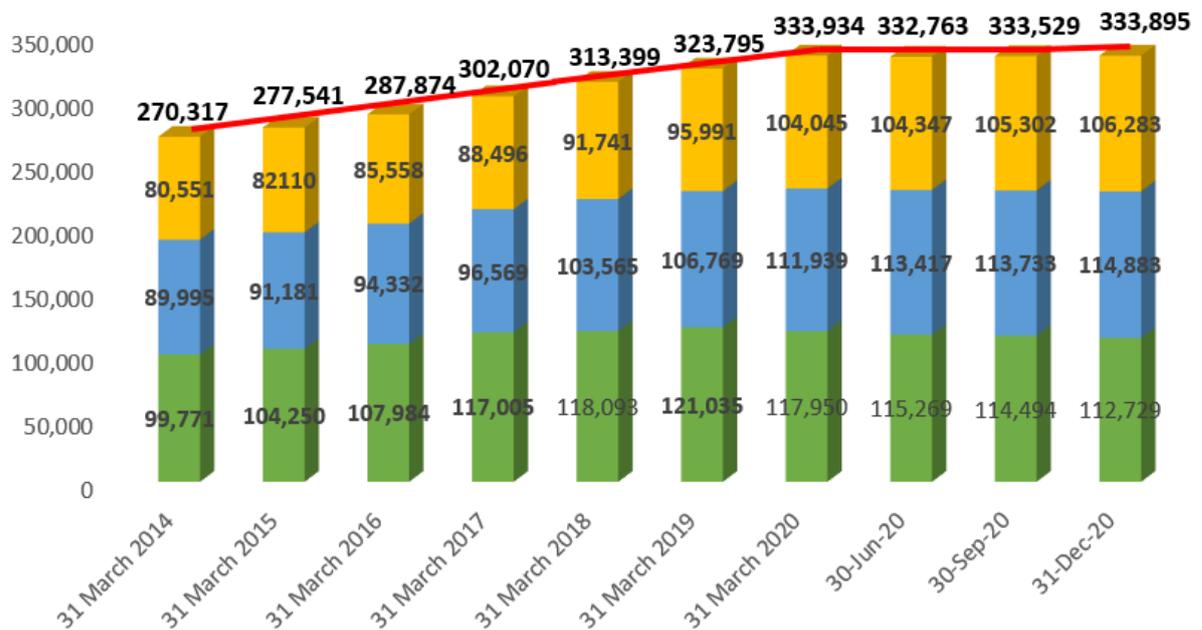
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to assist monitoring of the activity and performance of these functions during that period.

## 3.0 Scheme Activity

### 3.1 Membership Movement – Main Fund

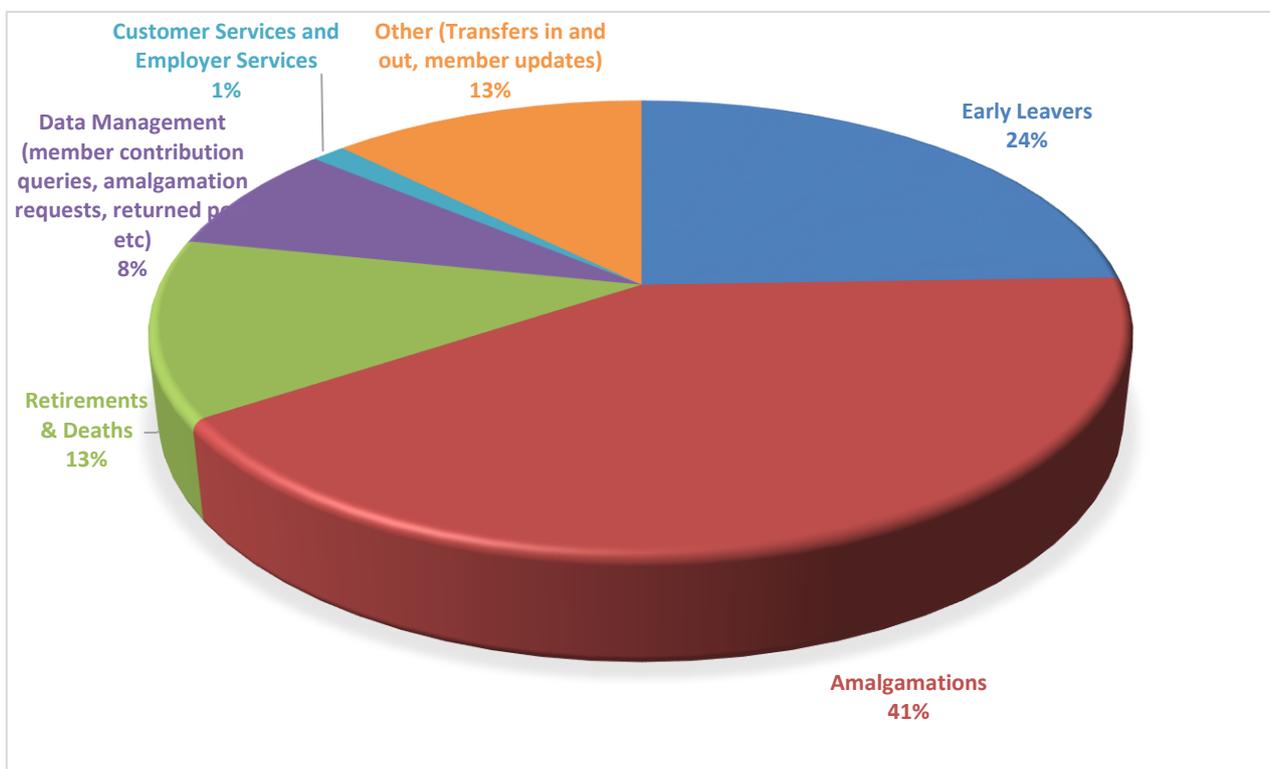
3.1.1 The total number of scheme member records in the Fund at 31 December 2020 stands at 333,895, with an overall increase since September 2020 of 366. The long-term trend over a 12-year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 30 September 2020	Net Movements during the period	Membership as at 31 December 2020
Active Members	114,494	-1,765	112,729
Deferred Members	113,733	1,150	114,883
Pensioner Members	105,302	981	106,283
<b>Total Members</b>	<b>333,529</b>	<b>366</b>	<b>333,895</b>



## 3.2 Workflow Statistics

- 3.2.1 The process analysis statistics (Appendix A) show details of overall workflow within the Pensions Administration Service during the period 1 October to 31 December 2020. During the period covered by this report, 37,499 administrative processes were commenced and 37,975 processes were completed.
- 3.2.2 On 31 December 2020 there were 46,480 items of work outstanding. This represents a decrease of 1,062 items outstanding compared to 30 September 2020 (47,542). Of the 46,480 items of work outstanding, 4,753 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities and 41,727 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.2.3 The impact of COVID-19 to date has seen the overall volume of incoming work and processes completed reduce compared to the same period last year. Since the last reporting period the Fund has started to see a return to normal volumes of casework. However, significant increases in the volume of deaths case work has been seen in December 2020 and January 2021. The Fund is monitoring workloads on a weekly basis, ensuring resource is reallocated as far as possible to maintain service delivery and mitigate the impact on timescales and performance relative to KPI targets. A summary of the processes started and completed is detailed in Appendix A.
- 3.2.4 The total number of processes outstanding remains high but continues to stabilise and can be broken down into the following key categories:



As shown in the graph above, most of the outstanding work is managing the movement of members between employments, where they have the option to amalgamate their records, and those members who leave the scheme before their retirement date. Since June 2019, the fund has seen c72% increase in this type of casework.

The Fund continues to review the volumes of incoming work and put in place plans to address high volume areas. This includes looking to increase the number of processes which could be completed in bulk and further analysis and review of the management of queries with employers to increase efficiency in processing.

- 3.2.5 A detailed analysis of the key processes completed across all operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in Appendix B.

#### **4.0 Digital Transformation Programme**

- 4.1 The aim of the programme is to support the Fund to transform its administration services, using information and technology to drive processing efficiencies and cost savings whilst improving the service we provide to our members and responding to increasing volumes of benefit processing work.
- 4.2 Since the December 2020 report to Committee, the programme continues to see some progress with the implementation of its key projects. An update on key development projects are detailed below:
- 4.2.1 **Deferred Retirement Quotes Online**  
Following the introduction of a functionality to enable deferred members to run retirement estimates online, the Fund has been developing Phase two of this project, which will enable members to run a formal retirement quote and select their retirement options online. Following a period of testing, this development was moved into live towards the end of January. Within 24 hours of the facility being available, a member completed the process which was authorised by the Fund on the same day, with the member being placed onto the next available payroll. This demonstrates a real desire from members to self-serve through their online account. With enabling members to self-serve, potential efficiency savings of c30 minutes per case of officer time could be achieved. The Fund is monitoring the use of this facility with the aim of undertaking a communication programme to promote this facility in the coming months.
- 4.2.2 **Employer Hub**  
The platform for exchanging data with our employers is the employer portal, which is key to ensuring efficient and secure exchange. The development work aims to improve the reporting functionality, user experience through design, availability of performance monitoring information and enable earlier issue resolution. Since September, the system has successfully undergone security testing and the initial group of employers went live in December 2020. A phased programme to transition employers onto the new system is underway with c260 employers already live, from March 2021.

#### 4.2.3 Employer Web Trays

Alongside the development of the new Employer Hub, the Fund has developed functionality to enable queries with data to be raised with employers via their online accounts with the process being sent to the employers' web-tray for action. This development supports the flow of information and assists in monitoring queries and resolution, providing insight to the development of employer communications and coaching material, supporting faster resolution. This functionality is being rolled out to employers as they move to the new Employer Hub.

### 5.0 Key Performance Indicators (KPIs)

5.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers in and Out, Retirements and Deferred Retirements.

5.2 During the period the Fund performance fell short of the KPI target in the following areas:

- The notification of Death benefits in October, due to internal management of high volume casework.
- The issue of Deferred Retirement quotes in October and November. This is due to the increase in volume of notifications received from employers for active retirements in August and September, which impacted on the achievement of this KPI.
- Transfer in and Outs in November due to the introduction of new factors which required the system to be updated by our software supplier, meaning cases were calculated manually and therefore time consuming.

Other KPIs have been achieved across the period.

5.3 Further information on achievement of target KPIs by process by month over the reporting period is included in Appendix C.

### 6.0 Customer Services

6.1 An overview of our front-line customer contact activity is shown in Appendix D. This outlines the variety and volume of support provided by the Fund to address members' pension queries. An indication of the statistics for the previous year are included within the charts as a comparative measure.

6.2 The most popular queries to our contact centre remain as follows:

- Customers querying the status of an on-going process.
- Requests for Pensions Portal support.
- Enquires about accessing pension benefits.
- Request for support with a Fund Letter/Form.
- Members updating their personal details.

- 6.3 There have been vacancies within the Customer Services Team which have affected our call handling performance during the third quarter of this year. One candidate has joined the team in November, and we have further staff members joining the team in March. All new staff complete a detailed induction plan to ensure that training is as efficient as possible, minimising disruption to services.
- 6.4 Calls have continued at the usual rate for the period, however our written enquiries continue to increase. We continue to explore ways in which efficiencies can be identified to manage the customer contact received. A number of mailings have been issued during the period, and these have been issued in a phased delivery to members, smoothing the impact on the contact centre and reducing call queries / written response times, allowing us to better serve our customers and reduce waiting times.

## **7.0 Complaints**

- 7.1 The Fund has a complaint monitoring framework, which enables regular monitoring, reporting of volumes and key trends for the key performance indicator. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outlined within the Customer Engagement Update.
- 7.2 The number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 60 complaints received for the last quarter (very low across the membership). Of those complaints, 50% were upheld. This shows a downward trend compared to the previous reporting period.
- 7.3 There has been an increase in complaints compared to the same period last year, and these are largely relate to processing timescales and portal access. It is important to note that complaints are still generally lower than previous levels. Over the last three years, the Fund has developed services in a number of areas (from letters to working practices) based on the feedback received from members, improving overall services. We are also recruiting to increase capacity in a number of areas across the Fund, to reduce response times.

## **8.0 Internal Dispute Resolution Procedure (IDRP)**

- 8.1 The Fund is required under the pension scheme regulations to have a process for dealing with internal disputes regarding members' pension benefits. The IDRP is a two-stage procedure and covers decisions made by both employers and the Fund.
- 8.2 The IDRP document sets out the procedure on how the Fund will work with employers in managing the internal dispute resolution procedure to the benefit of both employers and members. In 2020, the Fund undertook a review of the existing procedure as part of its regular review process.

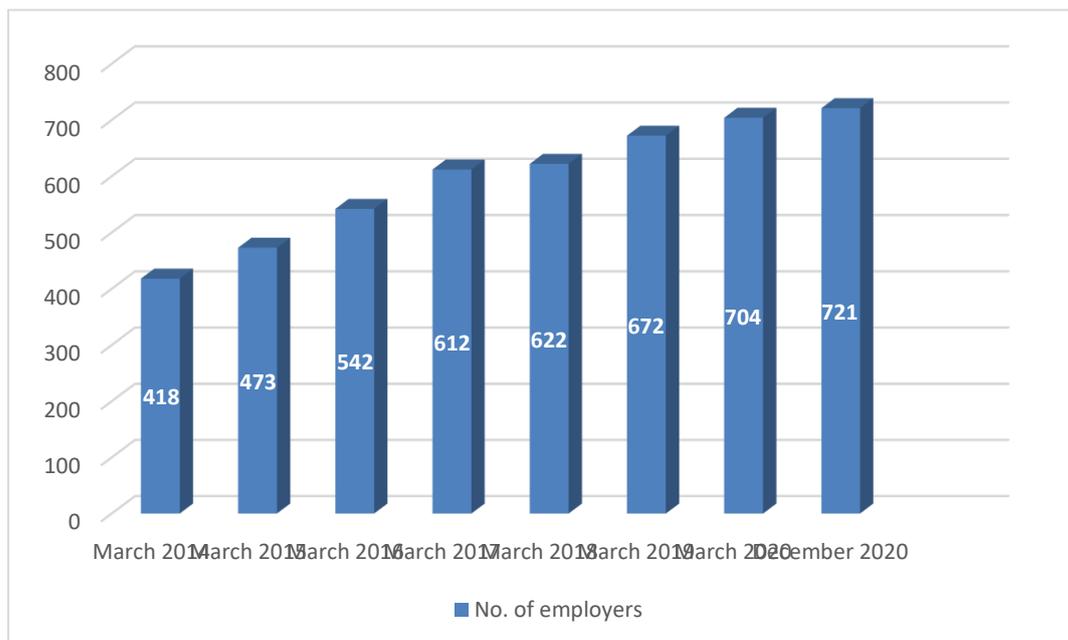
- 8.3 The review has not required any changes to the procedure or the key steps to be taken, but focussed on the format of the information being presented to clarify the roles and responsibilities of both the Fund, independent adjudicators and the employer. For example, information has been transposed into flow charts to clearly set out the process for employers and members to follow.
- 8.4 A draft version of the proposed revised document was shared with the Employer Peer group in December 2020 for review and comment, where it was well received and the revised layout welcomed.
- 8.5 A final version of the updated procedure document is in Appendix E for Committee's noting and approval.

### 8.6 Current IDRPs Casework

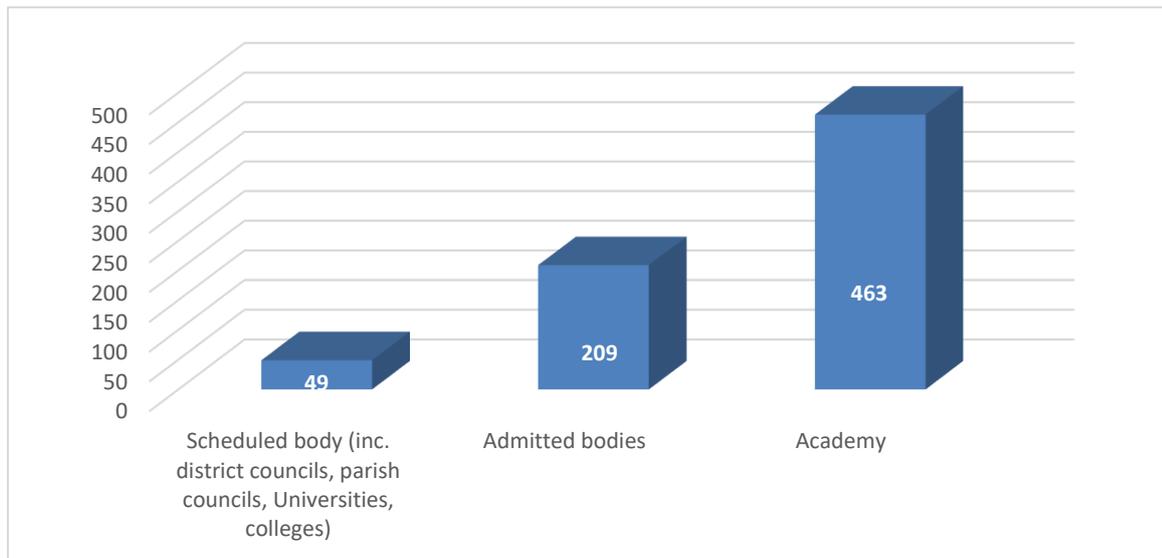
- 8.6.1 For 2019/2020, one case remains on-going which relates to a medical appeal and the Fund are continuing to liaise with the employer.
- 8.6.2 Year to date for 2020/2021, seven cases have been referred to stage one of the procedure, against the Fund, one case has been partially upheld, with five cases not being upheld and one case progressing to stage two.
- 8.6.3 Five cases have progressed to stage two on appeal to the Fund; three of these cases have not been upheld and two cases are still under investigation.

### 9.0 Employer Membership

- 9.1 The Fund has seen an increase in employer numbers this reporting period, with the overall number of employers registered with the Fund as 721 at 31 December 2020, a 72% increase since March 2014 as shown in the graph below.



9.2 The employer base is categorised into the following employer types:



9.3 The level of on-going work being processed at the end of the period is as follows: -

- 92 admission agreements
- 11 academies
- 51 employer terminations

**10.0 Application for Admission Body Status**

10.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Fund following Pensions Committee approving the applications. Sometimes a decision is required which is not compatible with the cycle of Pensions Committee meetings. In these circumstances, Pensions Committee has delegated responsibility for approving such applications to the Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee.

10.2 There have been 14 applications for admission to the Fund, which have been requested and approved with new employers detailed in Appendix F.

**11.0 Pensions in Payment**

11.1 The gross annual value of pensions in payment to December 2020 was £567.48m, £15.73m of which (£8.03m for pensions increase and £7.7m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

11.2 Monthly payroll details were:

Month	Number	Value (£)
October 2020	87412	£ 40,213,150
November 2020	87634	£ 40,215,561
December 2020	97465	£41,008,694

The December figure includes pensioners paid on a quarterly basis.

**12.0 Overseas Existence checking – 2020/2021**

- 12.1 The Fund has in the region of 1,600 overseas pensioner members, noting that overseas members cannot be traced using the same trace tools as those living in the UK, as the data sets typically used will not show information for an overseas person, even if that person is still a UK national. The Fund undertakes an annual Life Certification Process for Overseas pensioners, where we write out to pensioner members who are based overseas to confirm existence and their contact information.
- 12.2 In 2020/2021 the Fund engaged further with Target Professional Services, the current provider for member verification and tracing services, to utilise their digital services for our overseas members. This enabled members to undertake the process via traditional postal methods or via the mypensionID app.
- 12.3 Following the process, the Fund received a 87% verification success rate, with 22% of members utilising the digital app across 12 different countries. The age members who utilised the app ranged from 50 to 96 years old. The average age of respondents being 69, indicating broad member interest in engaging with the Fund electronically.

**13.0 Write-off Policy Decisions**

- 13.1 A write-off relates to pensions overpaid to members, after following the debt recovery policy, these cases become uneconomical to pursue or the estate has insufficient funds to recover. In general, an overpayment is generated by late notification of death of members.
- 13.1.1 A write-on relates to monies due to the members estate in order to make pension payments up to date of death. After correspondences, the legal representative is untraceable or does not wish to claim the funds.
- 13.2 **Write-off and Write on analysis**
- 13.2.2 The following write-offs and write on of pension payments are reported in line with the Fund's policy:

Individual Value	Write Off		Write On	
	Number	Total (£)	Number	Total (£)
Less than £100	1	18	3	70
£100 - £500	18	3423	5	735
Over £500	4	4368	1	751
<b>TOTAL</b>	<b>23</b>	<b>7809</b>	<b>9</b>	<b>1556</b>

Of the cases where the overpayment has been written off:

- 13 cases are where the Fund has not received a response or are unable to trace the Next of Kin.
- 5 cases are where the Next of Kin has stated there is no money in the estate to make the repayment.
- 3 cases the funeral was arranged by the council.
- 1 case the Next of Kin is now deceased.
- 1 case where the member had two records and the overpayment has been paid.

Of the cases where the underpayment has been written on:

- 6 cases the Fund has received no response from the Next of Kin or solicitor.
- 2 cases where the Next of Kin has not been able to be traced.
- 1 case where there is no Next of Kin.

#### 14.0 Transfer Out Cases

- 14.1 During the period 1 October to 31 December 2020, 283 transfer values were issued to members considering transferring their benefits out of the scheme (previous 1 October to 31 December 2019, 293 transfer values were issued to members)
- 14.2 In total 30 transfer payments made during the period 1 October to 31 December 2020 resulting in a total amount transferred of £2.9 million (previous 1 October 2019 to 31 December 2019 a total of 59 transfer payments were made (£3.1 million was transferred out) This amount is broken down as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	16
£30,001 to £100,000	7
£100,001 to £200,000	2
£200,001 to £300,000	1
£300,001 to £400,000	1
£400,001 to £500,000	1
Above £500,001	2
<b>Total</b>	<b>30</b>

- 14.3 Analysis has been undertaken of the Transfer out payments to non-public sector or occupational schemes over the 6 month period of July through to December 2020 to review the volume and trends. During the period, a total of 34 transfer out payments

have been processed, to a total of 15 different receiving schemes. The average age of members transferring out was 56 years, with the main reason for members transferring out with a value less than £30k was to consolidate their benefits. For those cases of higher value than £30k, the main reason was to access freedom and choice and to take part of pension savings as cash without having to put their pension into payment, which is not available in the local government scheme.

- 14.4 In light of recent industry concerns regarding the potential for increased pensions scams during this time, the Fund has implemented additional steps and measures within the processes for transfer out requests which includes an enhanced level of manager review before payment of funds is actioned. In addition, all key staff are undertaking the Pension Regulators' online training module on pension scams, providing guidance on key steps to take and how to identify potential scams.
- 14.5 As part of this, the Fund has pledged to the Pension Regulator to do what we can to protect scheme members and follow the principles of the Pension Scams Industry Group (PSIG) Code of Good Practice in so far as it applies to LGPS Funds. Pledging to combat pension scams confirms our intent to protect our members and demonstrates that the Fund are committed to stopping scammers in their tracks.

The pledge states that the Fund is committed to:

- regularly warn members about pension scams
- encourage members asking for cash drawdown to get impartial guidance from The Pensions Advisory Service
- get to know the warning signs of a scam and best practice for transfers by key staff completing the scams module in the Trustee Toolkit; studying and using the resources on the Financial Conduct Authority (FCA) ScamSmart website, TPR scams information and the PSIG code
- take appropriate due diligence measures by carrying out checks on pension transfers and documenting pension transfer procedures
- clearly warn members if they insist on high-risk transfers being paid
- report concerns about a scam to the authorities and communicate this to the scheme member

## **15.0 Financial implications**

- 15.1 The report contains financial information which should be noted.
- 15.2 Employees of organisations who become members of the Local Government Pension Scheme will contribute the percentage of their pensionable pay as specified in the Regulations. The Fund's actuary will initially, and at each triennial valuation or on joining intervaluation, set an appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

## **16.0 Legal implications**

- 16.1 The Fund on behalf of the Council will enter into a legally binding contract with organisations applying to join the Local Government Pension Scheme under an admission agreement.

## **17.0 Equalities implications**

17.1 This report has implications for the Council's equal opportunities policies, since it deals with the pension rights of employees.

## **18.0 Environmental implications**

18.1 The report contains no direct environmental implications.

## **19.0 Human resources implications**

19.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees.

## **20.0 Corporate landlord implications**

20.1 The report contains no direct corporate landlord implications.

## **21.0 Schedule of background papers**

21.1 None.

## **22.0 Schedule of appendices**

22.1 Appendix A: Process Summary

22.2 Appendix B: Detailed process analysis

22.3 Appendix C: Key performance indicators (KPIs)

22.4 Appendix D: Customer services statistics

22.5 Appendix E: Internal Dispute Resolution Procedure Policy Statement March 2021

22.6 Appendix F: Applications for admission body status