

# **PENSION FUND COMMITTEE – 05 MARCH 2021**

## **ADMINISTRATION REPORT**

### **Report by the Director of Finance**

#### **RECOMMENDATION**

The Committee is **RECOMMENDED** to

- a) **Note the report**
- b) **Agree to the temporary reduction in service level targets**
- c) **Agree the changes to the Funding Strategy Statement**

#### **Executive Summary**

1. This report updates the Committee on the key administration issues including the iConnect project, service performance measurement and any write offs agreed in the last quarter. The Committee will be asked to approve amendments to the Funding Strategy Statement following the recent consultation on amendments reflecting the changes in Regulations in respect of employer exits from the Fund.

#### **Staffing**

2. Overall, the team has three administrator vacancies. Two are as a result of internal promotions as reported last quarter and one due to a failed recruitment process. These vacancies are currently on hold until there is capacity to take on further training as five new team members have joined in the last six months.
3. To ensure that new team members receive a full training in all aspects of the work they have all been placed within the benefits administration to ensure that they gain full understanding of the LGPS. This coupled with the move of several of the more experienced team members because either because of promotion or moving to other areas has impacted on the work performance for both LGPS and Fire whilst training takes place.
4. Officers are also now starting to see the impact of the current lockdown, particularly, but not exclusively, on working parents who are trying to balance many conflicting demands without access to their normal support networks.
5. This combined effect has led to an increase in absence and is also starting to be reflected in the performance data.

#### **Incoming Data**

6. The number of late / missing data returns has reduced to 3.7% over the last two months. These outstanding returns have been chased and received except in

the case of one scheme employer where we have been unable to make contact. This is being followed up.

7. Vetting of incoming data returns was initially set up as all returns had to be cleared by the 18<sup>th</sup> of the month following receipt. This target is not being met and is under review by the team leader who is looking to improve this performance by:
  - Running more exception reports to make vetting process easier
  - Arranging for reports to be run overnight
  - Making sure that staff understand and follow processes
  - Training newer team members.
8. The Investment Team monitor late and missing contributions. The latest report shows that there are four employers who have, in most months between April and December missed the deadlines for submission. Two cases relate to newer scheme employers where there are some outstanding contractual issues, which are being followed up with officers and two cases are now resolved.

## **Workload and Performance**

9. There are five subjects where the SLA has not been met in last month. In the first two instances this was caused by one case going out of specification:
  - HR Estimates            SLA 90% achieved 86%
  - Refunds                    SLA 95% achieved 94%
10. For the remaining subjects there is a combination of factors contributing to the lower performance but is mainly due to inexperienced team members.
  - Retirements        SLA 95% achieved 86%
  - Interfunds Outs    SLA 95% achieved 83%
  - Transfer Outs      SLA 95% achieved 90%
11. Linking this back to the staffing issues of training and experience the concern is that maintaining the current level of SLA percentages is not achievable in the short / medium term therefore officers are seeking a temporary reduction from 95%/90% in specification to 75% in specification from March 2021. This is to be reviewed at next meeting of this committee to determine if an extension is required.

## **Projects**

12. The final stages of the GMP reconciliation project are now in process. This project has identified that there are 87 LGPS pension members who have been underpaid and this is being corrected in the February 2021 payroll. This will increase the annual payment of pension by £4,203.58. The arrears being paid in the February 2021 payroll amount to £37,568.55. There are no firefighter pensioners who have been underpaid.

13. As previously decided by this Committee pension members who had been overpaid would have their pension payment corrected but there would not be any recovery of the over payment. Letters have been sent out to 245 LGPS pensioners whose pension will be adjusted in April 2021. This will result in an annual reduction of pension amounting to £35,411.35. The total amount being written off in respect to these Members is £284,487.48. There are 6 firefighters who have been overpaid. The reduction in annual pension for these 6 members will be £1,235.35, with the written off amount being £4,018.
14. Implementation of i-connect – there are now 16 scheme employers left to transfer. The two largest employers Oxfordshire County Council and Oxford Brookes University are scheduled to transfer in April.
15. Except for three outsourced contracts to one company where there are ongoing contractual issues all other scheme employers are scheduled to transition by end of March 2021.
16. Administration to Pay has been the project with the most delays to timetable but the first process is now being used and further subjects are timetabled from March onwards as shown below:

<b>Area of Work</b>	<b>Implementation date</b>	<b>Implemented (Y/N)</b>
IFA out	February 2021	Y
TV out	February 2021	Y
Refunds (not including over 75s and post 14 leavers being paid more than 5 years after leaving) *	March 2021	
Retirements from active status (redundancy, efficiency, ill health, age retirement)	May 2021	
Retirements from deferred pension	July 2021	
Death **	September 2021	
Trivial Commutations	November 2021	
Fire	January 2022	

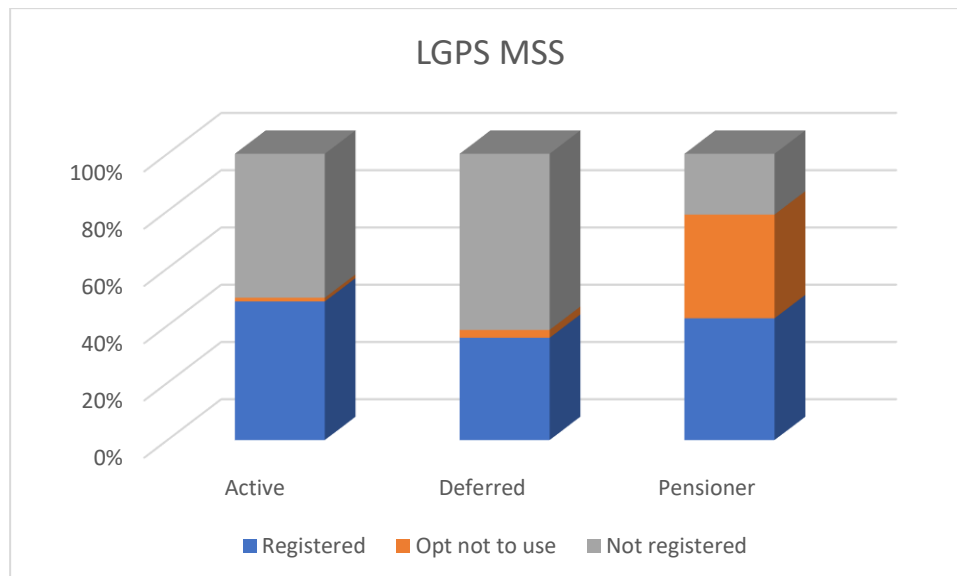
\* Solution being sought with software suppliers to deal with post 75 and post 14 leavers being paid after 5 years as the tax implications are different and Altair does not calculate these at present

\*\* Deaths. Further work needs to be done in cases where death grants are split between multiple beneficiaries.

17. The next major project for the team will be the “McCloud” project which due to its size and complexity has been included as a specific objective within the proposed annual business plan for 2021/22.
18. All other projects are on target.

## **Communications**

19. Member engagement - Reporting Pensions is issued 4 times a year to ensure changes to regulations and procedures are disclosed within statutory timescales. In the latest edition an update nomination form plus accompanying guidance has been sent to all active members. Return rates are being monitored.
20. Site visits and member meetings have been on hold since March 2020, although there looks to be increased interest in moving these online. We have done one such meeting in January 2021 and been asked to prepare for a second.
21. The Governance Newsletter with information on training and current hot topics has been introduced to update members of this committee and the pension board.
22. Employer engagement - Talking Pensions is issued to Employers / PFC / Board and pension and investment teams monthly by email to known contacts, to introduce administration topics and regulation changes. Issued on last working day of every month, and earlier in December.
23. ‘New To the LGPS’ training enables the introduction of the LGPS to those new to the work area or new employers to the LGPS, offering outline of how the scheme works - costs and benefits and the employer responsibilities. The meeting is currently held online, 7 times a year.
24. Employer meetings are scheduled regularly to pick up on procedure changes, new regulations and encourage employers to bring topics for discussion. The meeting is currently held online, 4 times a year.
25. Member self-service numbers are gradually increasing with just under 50% active members now signed up.



## Employers

26. Three scheme employers have let contracts to one cleaning company, who now wishes to move the service to a franchisee. As there is no contractual relationship between the scheme employer and the franchisee the admission agreement cannot remain in place.
27. Whilst one scheme employer has fully engaged in this process the others have not been so forthcoming and so discussions are continuing.

## Complaints

28. In the last quarter, determinations have been issued in respect of three complaints made under the formal dispute procedure. All these complaints were made because the scheme employer had not granted ill-health retirement.
29. There is one case still outstanding which was referred to the scheme employer in August 2020
30. One case was reviewed by the scheme employer at stage 1. This complaint was not upheld and so the member now has the option of referring this to stage 2 for review.
31. In reviewing the other two cases at stage 2, the Adjudicator found that the scheme employers had not followed process and so upheld these complaints. Members can now refer their case to the Pension Ombudsman.
32. One internal complaint has also been received. Information has been sent to member, so no further action.

## **Write Off**

33. Overpaid pension has not been recovered in ten cases where the pensioner has died, amounting to £47.34.

## **Funding Strategy Statement**

34. At the December meeting of this Committee, Members accepted the recommendation to agree the draft changes to the Funding Strategy Statement as detailed in paragraph 40 as the basis for consultation with scheme employers.
35. This consultation was sent out to scheme employers on 15 December 2020 and articles were included in the December and January employer newsletter Talking Pensions.
36. The closing date for comments of 12 February has now passed and no employer comments have been received. Therefore, members are now asked to confirm these changes to the Funding Strategy Statement. These proposed changes are summarised below:
  - Contribution review - In general, the draft FSS updates consider an amendment to contribution rates between valuations only as a result of significant changes to the liabilities or covenant of an employer. While the Fund would consider requests from employers to review contributions, it is expected that the reason for the request is a material change in covenant or significant restructure which impacts their membership and consequently liabilities in the Fund.
  - Exit arrangements - despite the updates, for an employer ceasing with a deficit, the normal policy within the draft FSS remains the requirement to immediately pay any debt. Any variation away from this would be considered in the light of this benchmark and would primarily need to be in the interests of the Fund. However, the FSS updates allow the Fund to be mindful of the broader objectives and finances of the employer when considering a more flexible exit arrangement. For example, a flexible approach may in some cases still be appropriate where the employer covenant is weak as it may allow the employer to avoid building up further liabilities. When entering into any flexible exit arrangement, a continual but proportionate review of the conditional elements will be required to ensure it remains appropriate and in the best interests of all parties.

## **Fire**

37. The administration report submitted to the Fire Pension Board in January reflected the same issues as those raised in this report for the LGPS.

38. Officers are due to have a meeting with the Chief Fire Officer to discuss service level agreements and performance reporting. The outcome of these discussions and the reports to the Fire Pension Board will be available to this committee next quarter.
39. In the age discrimination case "Sargeant" a consultation response has now been published by the Government and officers are waiting for clarification of the actions required and the time frames for these.

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