



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**PENSIONS AND INVESTMENTS COMMITTEE**

**WEDNESDAY, 25 OCTOBER 2023**

**Report of the Director - Finance and ICT**

**Half-Year Pension Administration Performance Report  
1 April 2023 to 30 September 2023**

**1. Purpose**

- 1.1 To notify the Pensions and Investments Committee (the Committee) of the pension administration activity undertaken by the Pension Administration Team (the Administration Team/the Team) of Derbyshire Pension Fund (the Fund), and the performance levels achieved, in the first half of 2023/2024.
- 1.2 Pension administration is the practice of undertaking a number of essential processes and actions towards the core objective of paying pension benefits to scheme members in a timely and accurate manner.

**2. Information and Analysis**

**2.1 Half-year report**

This report relates to the first half of 2023/2024 covering the period 1 April 2023 to 30 September 2023 and provides a summary of the Fund's performance in key areas of pension administration activity.

Maintaining operational stability through efficient pension administration forms an important part of retaining the confidence and trust of scheme members and employers.

The impact of poor pension administration can be reputational but may also include additional expenditure through the payment of inaccurate pension benefits, interest on late payments and delays in collecting contributions from employers. This report aims to provide the

Committee with assurance that such risks are being managed adequately.

## 2.2 **The Administration Team**

The Administration Team's core role is to ensure that pension benefits are paid to members accurately and in a timely manner, and to provide clear information on pension options to members to help their planning for retirement.

The pension administration function covers a range of activities including:

- calculation, processing and payment of members' and survivors' pension benefits
- employer services, including data and contribution collection functions
- maintenance and development of the pension administration system (Altair), the Fund's website and the online member self-service provision (My Pension Online)
- implementation and communication of regulatory and procedural changes
- engaging with members and employers to answer queries, provide relevant accessible information and develop understanding of the LGPS

As at 30 September 2023, the administration team incorporated 54 individuals covering 49.1 full-time equivalent positions with 5 positions remaining vacant.

Following a period where the Fund found particular challenge in recruiting to vacant positions at the Pensions Assistant (Grade 6) level, 5 new appointments at that level have been made since March.

The Council's recruitment freeze from September 2023 introduced steps for specific approval where an exception is necessary. This includes the consideration of the recruitment to Pension Fund vacancies. Fund staff are employed by the Council although employment costs are met directly by the Fund and included in the Fund's budget which was most recently approved by the Committee in March 2023.

## 2.3 **Working arrangements**

The Administration Team's hybrid working model, established as part of the Council's Modern Ways of Working project, provides for all

members of the team to divide their working time between home and County Hall.

## 2.4 Workload data

The Fund's Management Team reviews performance reports for key processes on a monthly basis.

The information in this report provides a summary of the Fund's pension administration activity during the period 1 April 2023 to 30 September 2023, including where applicable, work completed against key performance targets.

## 2.5 Membership numbers

The table shows the Fund's membership totals at half-yearly intervals during the last two years.

<b>Membership</b>	<b>30 Sept 2021</b>	<b>31 March 2022</b>	<b>30 Sept 2022</b>	<b>31 March 2023</b>	<b>30 Sept 2023</b>
<b>Actives</b>	37,390	38,067	37,053	37,871	37,180
<b>Deferred</b>	31,052	31,640	32,327	33,228	34,594
<b>Pensioners</b>	32,618	33,178	33,848	34,404	35,130
<b>Work in Progress</b>	6,248	5,984	5,759	4,833	3,516
<b>Totals</b>	<b>107,308</b>	<b>108,869</b>	<b>108,987</b>	<b>110,336</b>	<b>110,420</b>

The membership figures shown reflect the total number of separate pension records. This includes scheme members with more than one pension record.

The actual number of individual members as at 30 September 2023 was 93,863 who between them had 110,420 membership records.

- **Active** members are those who are in employment and continuing to contribute to the scheme
- **Deferred** members are those who have ended their active participation as contributing members, but have yet to access their pension benefits
- **Pensioner members** are those who are already in receipt of pension benefits

The '**Work in Progress**' total of memberships includes:

- cases where active memberships have ended, and work is currently being undertaken to reassign them to deferred or pensioner membership
- recent and frozen refunds where active memberships have ended after a short period which is insufficient to qualify for a pension, and work is ongoing to contact members and arrange payment of a refund of contributions
- aggregation cases where a member's pension records for different jobs may be combined, but the work to complete the aggregating of records has yet to be completed

The "work in progress" cases also include those where the member will not be reassigned to deferred or pensioner status (e.g. where a refund is payable to a member with insufficient membership to qualify for deferred or pensioner status)

As a result, the working totals shown in this report will be different to those reflected in other documents such as the Annual Report which exclude those where there is no ongoing liability on the Fund.

The active membership in the Fund is currently spread amongst 347 participating employers.

As at 30 September 2023, approximately **67% (25,055)** of the active membership were employed by the 10 largest employers (by membership numbers) in the Fund,

<b>Employer</b>	<b>Active members at 30 Sept 2023</b>	<b>% of overall active membership</b>
Derbyshire County Council	14,143	38.0%
Derby City Council	4,169	11.2%
Derbyshire Constabulary	1,779	4.8%
University of Derby	1,683	4.5%
Chesterfield Borough Council	947	2.5%
Derby Homes Ltd	555	1.5%
Bolsover District Council	506	1.3%
Derby College	455	1.2%
North-East Derbyshire District Council	447	1.2%
South Derbyshire District Council	371	1.0%

To demonstrate the wide landscape of different sized employers participating in the Fund, as at 30 September 2023 there were 96 employers with less than 10 active members.

## 2.6 Pensioner deaths

During the first half of 2023/24, there were a total of **348** reported deaths of pensioner members. The total includes deaths of members who were in receipt of a survivor's pension.

The number of pensioner deaths reported to the Fund over the full year in 2022/23 was 780.

Administration following a pensioner's death includes several processes including:

- reviewing eligibility for a death grant payment and survivor benefits
- gathering data of eligible beneficiaries for death grant and survivor benefits
- verifying beneficiaries' eligibility
- calculating ongoing benefits where a survivor pension is payable
- in those cases, preparing a separate pension record

## 2.7 Achievement against standards

The following table shows cases in selected key areas of work which were actioned in the period 1 April 2023 to 30 September 2023 and the amount completed within legislative timescales included in *The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013*.

Totals for the previous 2 full years are included for comparison purposes.

Case type	Total number of cases	Target for completion (months)	Target achieved	Target missed*	Target achieved %	Overall 2021/2022 Total Cases & Target achieved %	Overall 2022/2023 Total Cases & Target achieved %
Retirement Benefits Paid	1,228	1	1,219	9	99.3%	1,963 (98.7%)	2,061 (99.7%)
Death Cases	699	2	677	22	96.9%	1,063 (97.3%)	1,120 (98.4%)

<b>Transfer Out Quotes</b>	<b>257</b>	<b>3</b>	<b>255</b>	<b>2</b>	<b>99.2%</b>	661 (96.8%)	549 (100%)
<b>Transfer Out Paid</b>	<b>47</b>	<b>3</b>	<b>47</b>	<b>0</b>	<b>100%</b>	81 (96.3%)	86 (100%)
<b>Transfer In</b>	<b>41</b>	<b>3</b>	<b>41</b>	<b>1</b>	<b>100%</b>	128 (89.8%)	133 (98.5%)
<b>Estimate Requests</b>	<b>702</b>	<b>2</b>	<b>701</b>	<b>1</b>	<b>99.9%</b>	895 (99.8%)	972 (100%)
<b>Refunds Paid</b>	<b>622</b>	<b>2</b>	<b>614</b>	<b>8</b>	<b>98.7%</b>	1,601 (87.0%)	1,202 (99.2%)

*\*The Fund reviews all cases where target timescales are missed to identify procedural and training issues.*

A brief description of the cases included in the figures shown in the table is set out below. A completed case reflects the completion of data gathering, calculation, documentation, processing, and payment (where applicable).

**Retirement Benefits Paid** –member retirements (voluntary, redundancy or business efficiency, ill-health, flexible and deferred).

**Death Cases** – deaths of active, deferred, pensioner and survivor beneficiary members, including cases identified through National Fraud Initiative (NFI) data checks.

**Transfer Out Quotes** – provision of transfer values to deferred members who have applied for the value of the benefits with a view to transferring to a different pension arrangement.

Transfer out quotes are also provided on request to active members, however, are not guaranteed due to their employment continuing.

**Transfer Out Paid** – completion of transfers where deferred members wish to proceed with their transfer to a different pension arrangement.

**Transfer In** – completion of transfers where new active members decided to transfer membership from other LGPS funds or a different pension scheme which is part of the Public Sector Transfer Club. The Fund currently only accepts transfers in from other 'Club' schemes.

**Estimate Requests** – provision of:

- written estimates of pension benefits for members considering accessing their pension benefits at a future date and
- shortfall costs for employers considering redundancies or business efficiencies

**Refunds Paid** – completion of refund payments to members whose active membership ended before they qualified for pension benefits.

## 2.8 Quantity of work – incoming and completed

The Administration Team has continued to experience consistently high workload levels but has been able to achieve casework turnaround times within the disclosure target timescales in most cases, as reflected in the previous table.

These services, including transfers into and out of the Fund, refund actions, retirement quotes and aggregations, are included in the figures below which represent the total number of new work items received in the half year and overall actions completed in the same period.

For comparison purposes, the totals for the two 6-month periods in 2022/23 are included.

### Number of work items processed

	<b>Apr- Sept 2022/2023</b>	<b>Oct- March 2022/2023</b>	<b>Apr- Sept 2023/2024</b>
New work items becoming due in the period	33,534	28,832	34,346
Work items completed during the period	30,955	26,398	34,133
Open cases at end of period	13,088	13,536	12,612

At the end of September 2023, a total of **12,612** work items were identified as remaining open and in progress. The table below summarises the main areas of open work, included in the above total:

<b>Work area</b>	<b>Open cases as at 30 September 2023</b>
Undecided leavers	486
Aggregations	1,685

i-Connect enquiries with employers	1,553
Other enquiries with employers	3,715
GMPs	227
TUPEs	234
Address traces	67
Notification of deferred benefits	533
Refund quotes	632
Refunds to payment	653
Retirement quotes	252
Deferred retirement quotes	236
Death administration (in progress)	174
Retirements (in progress)	76
Transfer In quotes	249
Transfer In	115
Transfer Out quotes	279
Transfers Out to payment	66
Others	1,380
<b>Total</b>	<b>12,612</b>

The following provides a brief description of some of these work areas.

**Undecided leavers** – members who have left their employment but have not been moved to deferred status as leavers. This normally relates to cases where information from the employer remains outstanding.

**Aggregations** – the combining of previously accrued benefits in the LGPS with a new or ongoing active pension record.

**i-Connect enquiries** – individual data enquiries with employers who have implemented the i-Connect secure data transmission service for the monthly submission of member data.

**Other employer enquiries** – ongoing queries with employers relating to:

- information on members whose active membership has ended and
- outstanding enquiries from year-end returns

**Notification of deferred benefits** – the calculation of a member's pension benefits at the point of ending active membership and becoming a deferred member.



**Address traces** – outstanding enquiries with tracing services for members' home addresses, where the Fund has not been notified of a change of home address.

**TUPE's** – the identification of members subject to TUPE transfer to a new employer which, in most cases, requires the new employer to become an Admission Body in order to validate each affected member's continuing LGPS participation

## 2.9 **Data quality**

The Pension Regulator acknowledges that complete, accurate scheme records are a vital part of the administrative function. The Regulator defines two types of data held in scheme records:

**Common Data** used to identify scheme members and including name, address, national insurance number and date of birth.

**Conditional Data** essential to calculate benefit entitlements such as, member contributions, pensionable pay, service history.

The latest common and conditional data results, reflecting 2022/2023, which measure the quality of the Fund's data, are shown in the table below, together with the results for the previous 4 years:

Year	Common data	Conditional data
2018/2019	97.6%	92.3%
2019/2020	98%	92.5%
2020/2021	98.2%	93.5%
2021/2022	97.7%	94.82%
2022/2023	98%	94.98%

The scores are reported annually to The Pensions Regulator and included in the Fund's Annual Report.

## 2.10 **Backlog Management Project**

An ongoing project to reduce and ultimately eliminate the numbers of backlog cases in two key areas (aggregations and deferred membership) of pension administration has continued into 2023/24.

The reduction of the backlog has been part of the Fund's data cleansing work in support of preparations for the following significant developments in LGPS administration:

- the LGPS remedy to the McCloud judgement, introduced into legislation from 1 October 2023, in relation to rectifying age discrimination from protections originally applied, when the new scheme was introduced in 2014, only to members closer to retirement, and
- the planned introduction of a national pensions dashboard to enable individuals to identify all of their pension provision in one place

The latest backlog position for each area is set out below.

**Aggregations** –the combining of previously accrued benefits in the LGPS with a new or ongoing active pension record. An aggregation process becomes a backlog case if it is not completed within 12 months.

Numbers of new aggregation cases have continued at high levels. Differing levels of complexity in aggregation cases means that there is not a consistent timescale in the actioning of each case.

At the end of March 2022, the total of backlogged aggregations was 963, but had reduced to 56 as at 31 March 2023.

The latest position shows a slight increase to **83** backlogged aggregation cases.

**Deferred membership** – These relate to non-active memberships where the member, has qualified for pension benefits, but cannot access them yet due to age or has chosen not to access them. Details about a member's deferred membership should be provided within 2 months of leaving active membership. Therefore, cases where the 2 months has been exceeded become backlog cases.

At the end of March 2022 , the total of backlogged cases of members moving to deferred membership was 685.

As at 31 March 2023 the total was 951, but the latest position shows a reduction to **263**.

Totals of backlogged deferred membership cases fluctuates when employers submit late notifications of members leaving active membership.

A programme undertaken in the last 2½ years to identify missing leaver notifications from the Fund's larger employers resulted in backlog cases numbers increasing through late notifications being received by the Fund.

Available resource for working on the backlog of deferred cases is reviewed continually by the Fund's management team against workload pressures in other areas.

The recruitment into vacant positions since March 2023 of 5 Pensions Assistants has increased the resource available for working on the deferment of pension records which has helped to reduce the total of backlog cases in this area.

However, it is anticipated that pressure on resource during the second half of 2023/24 may result in some prioritisation of work from deferment and aggregation processes to tasks related to:

- commencing application of the McCloud remedy and
- the impact of a further significantly delayed pay award backdated to 1 April 2023, which will require the recalculation and revision of pension benefits for members who have retired since 1 April 2023 and subsequently received arrears of pay due to the late pay award.

## 2.11 Pension contribution rates

### Employees

The following table below sets out the employee contribution bands effective from 1 April 2023. These are calculated by increasing the 2022/23 employee contribution bands by the September 2022 CPI figures of 10.1 per cent and, where necessary, rounding down the result to the nearest £100.

<b>Pay bands</b> (Actual pensionable pay for an employment)	<b>Main Section Contribution rate</b>	<b>50/50 Section Contribution rate</b>
Up to £16,500	5.50%	2.75%
£16,501 to £25,900	5.80%	2.90%
£25,901 to £42,100	6.50%	3.25%
£42,101 to £53,300	6.80%	3.40%

<b>Pay bands</b> (Actual pensionable pay for an employment)	<b>Main Section Contribution rate</b>	<b>50/50 Section Contribution rate</b>
£53,301 to £74,700	8.50%	4.25%
£74,701 to £105,900	9.90%	4.95%
£105,901 to £124,800	10.50%	5.25%
£124,801 to £187,200	11.40%	5.70%
£187,201 or more	12.50%	6.25%

### **Employers**

Employer's contribution rates were determined from the 2022 Actuarial Valuation exercise and were applied from 1 April 2023.

The rates, which are specific to each individual employer based on their funding position and profile of membership, ranged between 0% and 44.6% for the present valuation period where rates determined during the latest Valuation take effect to 31 March 2026. The average primary rate payable by the Fund's employers in respect of future service is 21.1%.

A detailed report following the Valuation exercise being completed was received and noted by Committee at its meeting on 26 April 2023.

## **2.12 Provision of Actuarial Services**

The Committee report which related to the Actuarial Valuation also included an update on the Fund's procurement of a provider of actuarial services to follow the end of the current contract with the existing provider Hymans Robertson LLP.

The Committee agreed for the approval of the appointment of a provider of actuarial services to be delegated to the Director of Finance and ICT.

Three actuarial firms responded to the invitation to be considered for the role of the Fund's actuarial service provider and each completed the procurement exercise which included preparing and delivering a presentation to Fund officers.

Hymans Robertson LLP was selected to deliver the provision for a further 3 years with an option to extend for a further 3½ years subject to performance review.

The further optional period includes an additional half year to ensure that a future procurement exercise does not clash with an actuarial valuation, subject to the current 3 yearly cycle being maintained.

### 2.13 **Monthly contribution returns**

Employers are required to submit monthly payments and contribution reports to the Fund by the 19th of the month following payment.

The Fund works with employers who experience difficulties with completing payments and submitting contribution reports by the monthly deadline.

Payment and submission numbers are affected where new Admission Bodies begin participation in the Fund but only commence the submission of data and contribution payments when the Admission Agreement, which validates their entry to the Fund, has been fully executed.

Full data relating to contribution payments and reports from employers is currently only available to July 2023, however, the current averages for employer submissions received by the Fund by the monthly deadline reflect that during 2023/2024 to July 2023 the following were received on time:

- 93.1% of contribution payments, and
- 85.0% of related contribution reports were received on time.

The Fund continues to work collaboratively with employers to help them avoid problems with late payments/submission of data and is continuing to engage with a small number of employers who have experienced difficulties particularly relating to staff turnover and changes to payroll provider.

The Fund also monitors underperformance relating to consistently late payment of contributions/submission of data , and will apply charges to employers for additional administration costs caused by regular late payments and submissions.

Regulation 70 of The Local Government Pension Scheme Regulations 2013 enables the administering authority to recover costs for additional administration caused by an employer's non-compliance. The Fund's application of this regulation is included in the Pension Administration Strategy which is available on the Fund's website and regularly signposted to employers.

No charges have been issued so far in 2023/24.

### 2.14 **New academies, admission bodies, designating employers and other employer details**

### Academies

When a Local Authority maintained school converts to an academy, it automatically becomes a scheduled body in the LGPS. Scheduled bodies are required to provide LGPS membership to their eligible employees.

The creation of academies has significantly increased the number of LGPS scheduled bodies in recent years which has generated additional administrative challenges for LGPS funds as scheme members have become spread across a much wider pool of employers.

As at 30 September 2023 there were 301 schools still maintained by Derbyshire County Council and Derby City Council.

The Fund maintains separate records for each academy within a multi-academy trust on the advice of the Fund's actuary.

7 new academies joined the Fund as individual LGPS employers in the period 1 April 2023 to 30 September 2023.

<b>Employer Ref</b>	<b>Employer Name</b>	<b>Start Date</b>	<b>Academy Trust</b>
771	Parkside Community School	1 April 2023	Embark Multi-Academy Trust
772	Scarcliffe Primary School	1 April 2023	The Redhill Academy Trust
773	Buxton Community School	1 June 2023	Embark Multi-Academy Trust
774	Anthony Gell School	1 August 2023	Embark Multi-Academy Trust
775	Three Trees C of E Junior Academy	1 September 2023	Rise Multi Academy Trust
776	Three Trees Infant Academy	1 September 2023	Rise Multi Academy Trust
777	Oak Grange Primary School	1 September 2023	East Midlands Education Trust

Academy conversions have reduced annually since the Covid pandemic, however, the number expected to convert in 2023/24 and become an individual employer in the Fund is expected to reflect an increase on 2021/22 (8) and 2022/23 (7).

### **Admission Bodies**

An organisation normally becomes an admission body as a result of securing a contract to provide a service or function from an employer which participates in the Local Government Pension Scheme (LGPS) and involves the transfer via TUPE of LGPS eligible staff.

During the first half of 2023/24 applications were received from 6 organisations for Admission Body status, based on commencing a contract during 2023/24 with a scheme employer which included the transfer of active scheme members.

Most of the new applications relate to the transfer of arrangements to a new provider for caretaking and cleaning at local authority-maintained schools or academies operated by Multi-Academy Trusts.

### **Designating employers**

Designating bodies are employers who can nominate employees for access to the LGPS, including Town and Parish Councils.

During the first half of 2023/24, one Parish Council commenced their active participation in the Fund retrospectively to October 2022: Stanley and Stanley Common Parish Council with effect from 24 October 2022.

### **Employer summary**

The number of employers actively participating in the Fund as at 31 July 2023 (i.e. the latest date at which a full summary is available) was **347**, broken down as follows:

<b>Type of Employer</b>	<b>Notes</b>	<b>Total</b>
Main Councils	County, City, District & Boroughs	10
University & FE Colleges	University x 1, FE Colleges x 2	3
Academies	Individual academies, including those in MATs on a shared employer rate. Also includes 2 x Central MAT teams.	214
Maintained Schools using an external payroll provider	County & City Schools using external payroll providers (County x 4, City x 2)	6

Housing Associations	Scheduled x2 Admitted Bodies x 3 (3 x CAB, 0 x TAB)	5
Other Scheduled Bodies	Peak District National Park Authority, Police, Fire, Chesterfield Crematorium	4
Admitted Bodies	TABs x 60, CABs x 4 ( <i>not including Housing Assn's</i> )	68
Town & Parish Councils	Pre 2001 Pool x 15 Post 2001 Pool x 22	37
<b>Total</b>		<b>347</b>

Please note that the total of Admitted Bodies includes employers whose participation in the Fund commenced in an earlier period, but payments of contributions have been delayed until the final execution of the Admission Agreement.

### **Exits from the Fund**

During the first half of 2023/24 the following employers' active participation as separate employers in the Fund ended.

<b>Employer Ref</b>	<b>Employer</b>	<b>Reason</b>	<b>Date of active participation ending</b>
508	Mellors Catering Services (Two Counties Trust)	Contract ended	16 April 2023
506	Churchill Contract Services Ltd (Hilton Primary)	Contract ended	31 August 2023
510	Churchill Contract Services Ltd (Spencer Academies Trust)	Contract ended	31 August 2023

A change to scheme regulations, which were subject to a judicial review in 2021, introduced an additional role for administering authorities of determining whether an exit credit is payable, and to which organisation/body any exit credit should be paid, if a participating employer's pension liabilities have been overfunded when it leaves the Fund.

The Fund is currently in the process of gathering information from employers who exited the Fund since the change in regulations, and from the relevant letting authorities, to determine eligibility for an exit credit payment where applicable.

## **2.15 Complaints, compliments and appeals**



**Complaints** and expressions of dissatisfaction about the provision of, or failure to provide an administration service, whether written or received verbally are monitored and recorded by the Fund.

During 2022/2023 a total of 24 cases identified as complaints were submitted to the Fund by scheme members. The total included complaints submitted to the Fund in writing (either letter or email), through the “My Pension Online” service and by telephone.

During the first half of 2023/24 a total of 7 cases identified as complaints were received by the Fund

The following table reflects the totals submitted by each method.

<b>Method</b>	<b>Full Year Apr 2022– March 2023</b>	<b>Half-Year Apr 2023 – Sept 2023</b>
Written	10	5
Via My Pension Online	5	1
Telephone	-	1

The total of complaints for 2022/23 has been restated from that provided in the previous half year pension administration report. This is due to some cases being classed as clarifications rather than complaints when a summary of the year’s complaints were reviewed.

The complaints in 2023/24 to date have included cases of:

- A members’ dissatisfaction with procedures relating to transferred membership from another pension scheme,
- missing data from employers, (x 3 cases)
- a decision relating to separation of pension records
- an interfund arrangement with another LGPS fund and
- registration procedures for My Pension Online .

Each member has received a full response to their complaint submission.

To date, following receipt of the Fund’s response to their complaint, 1 member has escalated their complaint to a formal appeal against the Fund via the Application for the Adjudication of Disagreements Procedure (AADP).

The Fund’s Complaints Policy which the Committee approved at the meeting on 6 September 2023 has been published on the Fund’s website as a new page in an accessible format.

**Compliments** received from members and employers are also recorded by the Fund and shared with the team member who provided the service. During the first half of 2023/24 a total of 20 compliments, had been recorded as submitted by members and employers praising the level of service they had received.

### **Appeals**

Appeals via AADP can be made by scheme members when they are dissatisfied with a decision made regarding their LGPS benefits. The most common decision for which appeals are submitted relates to dissatisfaction with an employer's decision regarding eligibility for ill-health retirement.

There are two possible AADP stages:

**Stage 1:** AADPs submitted against an employer's decision are considered at the first stage by the adjudicator appointed by that employer.

AADPs submitted against a decision made by the Fund are considered at the first stage by the Fund's adjudicator.

**Stage 2:** Where a member remains dissatisfied following the determination of their Stage 1 appeal, they may submit a Stage 2 appeal which is considered by the administering authority.

Where scheme members remain dissatisfied with the outcome of appeals submitted at AADP Stages 1 and 2, they have the right to refer their complaint to The Pensions Ombudsman to investigate by considering information from all the parties involved in a complaint before making a determination.

The Ombudsman's determinations are final, subject to a successful appeal to the courts on a point of law. They are binding on all the parties and enforceable in court.

Details about the appeals which are adjudicated by, or on behalf of, the Council, in its role as administering authority, at Stages 1 and 2 of the Application for the Adjudication of Appeals Procedure, and about appeals submitted to and/or determined by The Pensions Ombudsman, during 2023-24 will be included in a separate report to be presented to Committee in April 2024.

## **2.16 Communications and Training**

The Fund has maintained regular engagement with employers and scheme members during the first half of 2023/24.

## **Communications**

### **Communications to employers**

During the first half of 2023/2024, the Fund issued the following newsletters to employers to highlight news items, information of important topics and reminders about upcoming deadlines.

<b>Date issued</b>	<b>Bulletin</b>	<b>Topics included</b>
27 April 2023	195	<ul style="list-style-type: none"> <li>• 2022/2023 Year-end return deadline</li> <li>• 2023/2024 Contribution returns</li> <li>• Changes for the 2023/2024 year</li> <li>• 2022 Valuation report</li> </ul>
30 May 2023	196	<ul style="list-style-type: none"> <li>• Updated leaver forms</li> <li>• Employer MPO resources</li> <li>• LGA updated HR/Payroll guides</li> <li>• Pension Administration Strategy</li> </ul>
28 June 2023	197	<ul style="list-style-type: none"> <li>• Outsourcing and risk sharing</li> <li>• Annual Benefit Statements</li> <li>• Seriously or terminally ill employees and ill health retirement</li> <li>• Derbyshire Pension Board</li> </ul>
28 July 2023	198	<ul style="list-style-type: none"> <li>• My Pension Online</li> <li>• Derbyshire Pension Board: New Independent Chair</li> <li>• Online bite-size training: Final Pay and Assumed Pensionable Pay (APP)</li> <li>• Employer role training sessions</li> <li>• Some general reminders on LGPS rules</li> </ul>
25 August 2023	199	<ul style="list-style-type: none"> <li>• Online bite-size training: Ill health retirement for active and deferred members</li> <li>• Authorised signatories</li> <li>• Strike action FAQs</li> </ul>
29 September 2023	200	<ul style="list-style-type: none"> <li>• 'McCloud' remedy update</li> <li>• Deferred Ill Health Retirement applications</li> <li>• i-Connect reminder</li> </ul>

All Employer Newsletters are available on the Fund's website.

## **Communications with active and deferred members**

### **Annual Benefit Statements**

The LGPS 2013 regulations require that each active and deferred member is issued with an Annual Benefit Statement by 31 August reflecting their membership to the end of the previous pension year.

For active members, the Fund is reliant on employers providing prompt and accurate information, and for deferred members there is a reliance on members to keep the Fund up to date with changes to their home address.

Where outstanding issues remain, the Fund is unable to issue an annual statement until required information has been provided.

By 31 August 2023, 90.4% of all active and deferred members had been issued their Annual Benefit Statement to their My Pension Online account, or by post to home address in cases where members requested to receive a paper copy.

By 30 September 2023 the figure had risen to 92.3% and work is ongoing to resolve outstanding matters towards the provision of an annual statement to each active or deferred member.

### **Active and Deferred Member Newsletters**

The Fund has continued its collaboration with other LGPS Funds who participate in a Joint Communications Group. The collaboration includes the preparation of annual newsletters to active and deferred members.

The newsletters provide updates on topical pension related matters and include space for each to include its own bespoke content.

Members receive their newsletter electronically to their My Pension Online account. They are also available on the Fund's website.

Topics included in the 2023 newsletters included:

- Changes to the annual allowance and lifetime allowance
- McCloud and the LGPS
- Helping with the rising cost of living
- Changes to the State Pension age and increase to the normal minimum pension age
- Introducing pensions dashboards

## **Communications with pensioner members**

Pensioner members receive a paper payslip by post to their home address as follows:

- for their first pension pay
- in March, April and May each year and
- at other times when their pension changes by at least 1%

The Fund takes the opportunity to provide relevant information to pensioner members with their payslips each March, April and May.

Information provided this year was as follows:

**March 2023** – Changing address and what to do, National Fraud Initiative and Contact details for pension enquiries

**April 2023** – The 10.1% pension increase applied from 10 April 2023 and how the April 2023 pension was worked out, a brief explanation about Guaranteed Minimum Pension (GMP) and the issue of the pensioner member's P60

**May 2023** – Contact details for pension enquiries, information about income tax codes, the Pension Fund website and when the next paper payslip would be issued

### **Communications Policy**

The latest version of the Fund's Communications Policy was reviewed by the Committee on 28 April 2021.

The Policy set out a plan for the development of the Fund's communications in the period between 2021 and 2024. The main target was for the member self-service portal, My Pension Online to become operational.

It is intended that the Policy will be brought to the Committee to review at the December meeting, including a summary of progress against targets included in the Policy and also other matters such as the accessibility of the Fund's communications where expectation for development and progress has increased since the latest Policy was prepared.

### **Employer training i-Connect**

During the first half of 2023/2024 the Fund continued to progress the onboarding of employers onto the i-Connect system and has

undertaken virtual training sessions for those in the early phases of implementation.

The sessions have also provided employers with an understanding of the benefits of submitting member data via i-Connect for themselves, scheme members and the Fund.

As at 30 September 2023, 262 actively participating employers were live on i-Connect, accounting for 89.61% of the Fund's active membership.

The Fund is working with a further 58 participating employers towards their transition to live reporting of data to the Fund with others to begin their implementation training and testing in the near future.

Currently 5 employers (excluding those Admission Bodies awaiting the finalisation of their Admission Agreement) have not responded to the Fund regarding implementation of i-Connect. This group of employers are being reminded about the charges which may be applied, as included in the Pensions Administration Strategy, for employers who fail to engage with the Fund on implementation.

### **Other employer training**

In addition to i-Connect training, in-person and virtual training sessions, and bespoke meetings on specific topics to support employers have continued on a range of issues including ill-health retirements and appeals, completion of leaver notifications and general employer responsibilities.

## **2.17 Other projects**

### **Member Self-Service (My Pension Online)**

The implementation of the member self-service website, 'My Pension Online', a further functionality linked to Altair was launched in June 2021.

My Pension Online (MPO) is available to all scheme members, with the main functionality being the member's ability to view certain parts of their pension information, to undertake changes to some of their personal data and to carry out benefit projections online. Active members are able to undertake certain types of retirement estimates and adjust these instantly in line with varying estimated future retirement dates.

As at 9 October 2023, a total of 23,868 members had completed their registration for MPO. This included 33.87% of the overall total of active and deferred members in the Fund.

The Fund is continuing to engage with employers to seek their assistance with encouraging scheme members to register and most recently issued a notification to each participating employer in September 2023 with links to promotional resources to ask them to highlight the My Pension Online service to their LGPS eligible employees.

### **McCloud**

The Department of Levelling Up, Housing and Communities (DLUHC) published a supplementary consultation and draft regulations in May 2023 concerning the McCloud remedy which covered new approaches to matters included in the original 2020 consultation to better align them with other public service schemes. These included issues relating to the impact of the McCloud remedy on aggregations, reflecting other public service membership and flexible retirement) together with new areas covering excess teachers service, compensation and interest terms.

The Fund submitted a formal response to the supplementary consultation, which was approved by Mark Kenyon, Derbyshire County Council's Director of Finance & ICT and Councillor Wilson, as Chair of the Committee.

Following the publication of the government's response to the consultation, the final regulations to implement the McCloud remedy in the LGPS were laid before Parliament on 8 September 2023 and came into force on 1 October 2023.

DLUHC is expected to issue statutory guidance on how authorities should prioritise work on cases to encourage a broadly consistent approach across the LGPS.

The Local Government Association (LGA) has indicated that it will publish a technical guide for LGPS administrators during October 2023 and plans to run McCloud online pension surgeries at the end of October.

The Fund's McCloud Project Group, which was set up in 2020 to prepare for the implementation of the McCloud remedy, has now commenced preparations for applying the remedy following the revised scheme regulations coming into force.

Aquila Heywood, the provider of the Fund's pension administration software, has released a number of McCloud related developments which have been tested by the Fund, however, the delay in the release of the full statutory guidance from DLUHC has caused a knock-on delay to the completion of all the provider's required development work.

The Fund is continuing to collect missing data since 2014 from active and former employers, mostly relating to casual members, in readiness for applying the remedy.

Initial internal training on the implementation of the McCloud remedy has been provided to relevant members of the Pension Fund team.

### **Pensions Dashboards**

The Pension Schemes Act 2021 provided the legal framework for the development of pensions dashboards including the power to direct pension schemes to provide member information for the dashboards.

The government's aim is that pensions dashboards will revolutionise the way that pension scheme members interact with their retirement savings enabling them to view a comprehensive summary of all of their pension entitlements, including the State Pension, merged into one place and easily accessible online.

The Fund is continuing to keep up to date with developments in respect of Pensions Dashboards. The Pensions Dashboards (Amendment) Regulations 2023 came into force on 9 August 2023 and removed the phased staging timeline (previously 30 September 2024 for the LGPS), replacing it with a single connection deadline of 31 October 2026.

The regulations allow DWP and the Money & Pensions Service (MaPS) to issue guidance setting out a staged connection timeline for individual schemes, to which pension funds must have regard.

MaPS aims to collaborate with the industry on this guidance later this year. As a consequence, The Pensions Regulator (TPR) has amended its dashboard guidance. TPR expects funds to continue to prepare for dashboards.

The Fund will continue cleansing its data and investigating the options for connecting to the Pensions Dashboards infrastructure.

### **Guaranteed Minimum Pension Reconciliation**

'Contracting out' ended on 5 April 2016 when the single tier State Pension system was introduced. From that point, HM Revenue &



Customs (HMRC) stopped tracking contracted out rights and issued data to pension schemes so they could compare its records against data held on scheme records.

The comparison of data between HMRC and pension schemes, known as the Guaranteed Minimum Pension (GMP) Reconciliation, encompassed the entire contracting out period, 6 April 1978 to 5 April 2016. For this period, the pension scheme has to guarantee that their pension will be at least the same as it would have been, had the member not been 'contracted-out'.

The GMP Reconciliation allows schemes to confirm that data held on their scheme records (including GMP values and scheme member start and end dates) agrees with the data held by HMRC.

In some cases, the comparison with scheme records has highlighted under or overpayments in individual member's pensions.

An initial scoping exercise undertaken by an external contractor, ITM, identified that there were 16,164 discrepancies, relating to pensioners and beneficiary members, to investigate. The Fund has worked through the majority of those discrepancies, although approximately 290 cases remain outstanding which may result in a change to the pension amount in payment. Where changes have been applied to pensions as a result of GMP reconciliation, they have largely been minor adjustments.

In respect of active and deferred members, the Department for Work and Pensions (DWP) has provided the Fund with GMP information for 26,738 members. These cases are being loaded into the Fund's pension administration system in batches with an initial load of 2,143 cases completed with related queries being worked through.

The GMP reconciliation task is a long-term undertaking for the Fund to ensure that on retirement, the GMP element of pension paid to members is consistent with the value held by the DWP.

## **2.18 Other regulatory and policy changes**

### **SCAPE discount rate**

In the LGPS, the SCAPE (Superannuation Contributions Adjusted for Past Experience) rate is used in the determination of actuarial factors for pension calculations such as cash equivalent transfer values (CETVs), early and late retirements and additional pension purchases.

The government confirmed on 30 March 2023 that the SCAPE discount rate had reduced from CPI + 2.4% to CPI + 1.7%

The Government Actuary's Department (GAD) has since released revised factors for a number of different LGPS calculations. The factors have been released on a staged basis from June 2023 and applied by the Fund. The final set of revised factors issued by GAD came into force from the start of October 2023.

Certain calculations were required to be suspended until the revised factors were published which led to delays for scheme members and additional administration for the Fund team.

### **CARE revaluation date**

The Local Government Pension Scheme (Amendment) Regulations 2023 which came into force on 31 March 2023 moved the annual revaluation of CARE pensions from 1 April to 6 April. The revised revaluation date removed the impact of inflation on annual allowance calculations. Without the change, in a year with a higher revaluation rate than the previous year, there could be a significant increase in the number of LGPS members breaching the annual allowance and potentially incurring a tax charge.

### **DfE Guarantee for outsourcing arrangements from academy trusts**

In May 2023, the Department for Education (DfE) published its policy for guaranteeing the outsourcing arrangements of academy trusts.

Previously, approval from the Education and Skills Funding Agency (ESFA) was required by academy trusts seeking pass-through arrangements with their LGPS administering authority for outsourcing contracts. The DfE policy provides a guarantee.

The guarantee protects the Fund and its employers from being left with an outstanding liability when an outsourced provider's LGPS participation ends at the conclusion of a pass-through arrangement with an academy trust which is unable to meet the liability.

## **2.19 Collaborations**

The Fund takes part in several regional and national groups with the aim of learning, sharing, influencing and networking with colleagues from other Funds and the wider pensions industry at meetings.

### **East Midlands Pension Officers' Group (Quarterly)**

Officers from 5 East Midlands funds share and review current LGPS related issues including the interpretation of scheme regulations, the

implementation of new and revised legislation, non-standard cases, and future developments. A representative from the Local Government Association also attends each meeting.

**LGPS Joint Communications Group (Quarterly)**

Membership of this group enables the Fund to work with other LGPS Funds, and provides the opportunity chance to share best practice, communication resources and develop joint projects, such as newsletters for scheme members.

**LGPS Central - Strategic Administration Group (biannually)**

Officers from the LGPS Central Pool's 8 Partner Funds discuss strategic matters impacting on the scheme administration role.

**CLASS Local Authority Pensions Group**

Officers from funds using the Altair pension administration system discuss software and technical issues, including priority developments.

**3. Appendices**

**3.1 Appendix 1 – Implications**

Appendix 1 sets out the relevant implications considered in the preparation of the report.

**4. Recommendation(s)**

That Committee notes the workloads and performance levels outlined in this report.

**5. Reasons for Recommendation(s)**

The Committee reviews the Pension Fund's workloads and performance levels in respect of its administration activity on a half-yearly basis.

**Report Author:** Steve Webster

**Contact details:** Steve.Webster@derbyshire.gov.uk

## Appendix 1

### **Implications**

#### **Financial**

1.1 None

#### **Legal**

2.1 None

#### **Human Resources**

3.1 None

#### **Information Technology**

4.1 None

#### **Equalities Impact**

5.1 None

#### **Corporate objectives and priorities for change**

6.1 None

#### **Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None