

Agenda Item No. 4 (e)

**DERBYSHIRE COUNTY COUNCIL
PENSIONS AND INVESTMENTS COMMITTEE**

4 November 2020

Report of the Director of Finance & ICT

**Half-Year Pension Administration Performance Report
1 April 2020 to 30 September 2020**

Content

1. Purpose of the report
2. Half-yearly report
3. Covid-19 impact
4. Workload data
 - 4.1 Membership numbers
 - 4.2 Member deaths
 - 4.3 Achievement against standards
 - 4.4 Quantity of work – incoming and completed
 - 4.5 Data quality
 - 4.6 Backlog management project
 - 4.7 Monthly contribution returns
 - 4.8 New academies and admission bodies
 - 4.9 Complaints, compliments and appeals
5. Communications
6. Projects
 - 6.1 i-Connect
 - 6.2 Back scanning project
 - 6.3 Member self-service
 - 6.4 Other projects
7. Collaborations
8. Other activity

1. Purpose of the Report

To notify the Pensions and Investments Committee (the Committee) of the administration activity undertaken by the Pension Administration Team (the Team) of Derbyshire Pension Fund (the Fund), and the performance levels achieved, in the first six months of 2020/21.

2. Half-year report

A quarterly report on pension administration performance has previously been provided to the Committee. For the first six months of 2020/21, a half-year report is now provided to Committee which provides a summary of the Fund's performance in key areas of activity.

3. Covid-19 impact

The introduction of the Government's lockdown measures in response to the Covid-19 pandemic posed a number of challenges for the Fund's administration. These included the need to urgently implement a plan to maintain continuity of core service provision while the majority of the team worked remotely from home.

In recognition of the pressures placed on the administration of pension schemes, The Pensions Regulator issued guidance in April 2020 for schemes including the identification of core responsibilities which should be prioritised.

The key services which TPR identified for prioritisation were:

- Paying members' benefits
- Retirement processing
- Bereavement services, and administrative functions required to support these
- Any processes needed to ensure benefits are accurate

TPR also asked administrators and employers to focus on the need for:

- Employers to continue contributing
- The risk of scams to be minimised
- Support for savers to make good decisions

A detailed Covid-19 Business Continuity Plan was developed and set out:

- the key services and critical activities of the Fund
- links to other relevant business continuity plans
- details of plan activation
- communication channels

- updates from bodies involved in the governance of the LGPS
- details of the Fund's governance arrangements
- business continuity updates with respect to Investments, Funding, Pension Administration, Treasury Management and ICT

The Business Continuity Plan was circulated to members of the Committee and members of the Board in April 2020 and remains under review.

4. Workload data

A summary of the Fund's administrative activity during the period 1 April to 30 September 2020 is summarised in the following sections.

4.1 Membership numbers

Membership	30 Sept 2019	31 March 2020	30 Sept 2020
Actives	36,170	38,061	37,274
Deferred	27,940	28,255	30,083
Pensioners	30,323	30,904	31,484
Work in Progress	8,830	8,408	6,426
Totals	103,263	105,628	105,267

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 is approximately 85,000 who between them have over 105,000 membership records.

The 'Work in Progress' figure includes

- cases where active memberships have ended and work is currently being undertaken to reassign them to deferred or pensioner membership.
- frozen refunds where active membership has ended after a short period insufficient to qualify for a pension, and work is ongoing to contact members and arrange payment of the refund

4.2 Member deaths

The Fund has contributed monthly data towards the LGPS Scheme Advisory Board's analysis of member deaths during the Covid-19 pandemic to help understand its impact on the LGPS.

In comparison to the same half year period in 2019 when 416 member deaths occurred, there have, to date, been 459 member deaths reported to the Fund as having occurred during the period 1 April 2020 to 30 September 2020. This includes active, deferred and pensioner members.

4.3 Achievement against standards

The following table shows cases in selected key areas of work which were actioned in the period 1 April to 30 September 2020 and the amount completed within legislative timescales included in *The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013*.

Case type	Total number of cases	Target for completion (months)	Target achieved	Target missed	Target achieved %	2019/20 Target achieved %
Retirement Benefits paid	906	1	875	31	96.6%	97.3%
Death cases	623	2	572	51	91.8%	90.9%
Transfer Out quotes	215	3	190	25	88.4%	95.9%
Transfer Out paid	41	3	40	1	97.6%	71.4%
Transfer in	86	3	70	16	81.4%	69.9%
Estimate requests	363	2	359	4	98.9%	96.4%
Refunds paid	808	2	792	16	98.0%	99.4%

4.4 Quantity of work – incoming and completed

Although the administrative priorities for the Fund during the first half of 2020/21 have been the key services noted earlier in this report, the Fund's work in providing services to scheme members in other areas has continued.

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 received in the half year and overall actions completed in the same period. For comparison purposes, the totals for the previous half-year period are included.

The number of work items being processed is as follows:

	Oct-March 2019/20	Apr-Sept 2020/21
New work items becoming due in the period	21,671	19,063
Work items completed during the period	24,073	20,438

At the end of September 2020, a total of 10,511 work items remained open and in progress. The table below summarises the main areas of open work, included in the above total.

Work area	Open cases as at 30 Sept 2020
Aggregations	3,450
Outstanding data from employers	1,278
Deferments	1,110
Refund quotes	762
Retirement quotes	214
Death administration (in progress)	194
Retirements (in progress)	63
Others	3,440

4.5 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 would include names, addresses, national insurance number and date of birth.

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

To measure the Fund's data quality, the software provider, Aquila Heywood, has provided the latest common and conditional data results for 2019/20 which will be reflected in the Fund's Annual Return to the Regulator later in the year. The results for the last 3 years are shown in the table below:

Year	Common data	Conditional data
2017/18	95%	85%
2018/19	97.6%	92.3%
2019/20	98%	92.5%

4.6 Backlog Management Project

The ongoing project to reduce and ultimately eliminate the numbers of backlog cases in two key areas of pension administration has continued during the first half of 2020/21, however, progress has been slowed due to the impact that remote working has had on the Fund's day to day administration.

The current backlog situation for each area is set out below.

Aggregations – These are 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.

At the end of 2019/20 the total of backlogged aggregations was 1,865, however, despite the difficulties encountered during the first half of 2020/21, the total had reduced slightly to 1,800.

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 2019/20 the total of deferred backlog cases was 1,991. Significant progress has been made in the first half of 2020/21 with the outstanding total at the end of September 2020 being 833.

4.7 Monthly contribution returns

Employers faced a number of challenges in respect of their LGPS responsibilities which emerged as a result of COVID-19. These included difficulties that arose from a move to predominantly remote working for many employers and key staff being furloughed. This was particularly an issue for Admitted Bodies providing outsourced catering and cleaning services to establishments forced to temporarily close.

However, the continuing payment of pension contributions remained a core priority for employers based on payment and contribution reports having to be received by the Fund by the 19th of the month following payment.

A number of employers experienced difficulties in meeting deadlines at the start of the pandemic, and this is reflected by the numbers in the table below showing the instances of late payment and/or submission of contribution reports.

The figures reflect April to August 2020 only, as information for September is still being finalised.

Instances of late payments (Apr-Aug 2020)	Total of employers		Instances of late monthly report submissions (Apr-Aug 2020)	Total of employers
1	4		1	47
2	0		2	16
3	1		3	4
4	1		4	2
5	1		5	0

The Fund has worked collaboratively with employers through this difficult period to avoid problems with late payments/submission of data. The Fund is continuing to engage with the employers who have experienced ongoing problems.

4.8 New academies and admission bodies

Academies

11 new academies joined the Fund as fund employers during the first half of 2020/21.

Brief details of each are as follows:

Employer Ref	Employer Name	Start Date	Academy Trust
737	Chaucer Junior School	01/04/2020	Embark Multi-Academy Trust
738	Elmsleigh Infant and Nursery School	01/04/2020	Esteem Multi-Academy Trust
739	Chaucer Infant School	01/05/2020	Embark Multi-Academy Trust
740	St Martins School	01/05/2020	The Shaw Education Trust
741	Whaley Thorns Primary School	01/06/2020	T.E.A.M Education Trust

742	Stubbin Wood School	01/06/2020	T.E.A.M Education Trust
743	Model Village Primary School	01/06/2020	T.E.A.M Education Trust
745	Ashbrook Junior School	01/09/2020	Transform Trust
746	Bakewell CofE Infant School	01/09/2020	DDAT
747	Bishop Pursglove CofE (A) Primary School	01/09/2020	DDAT
748	Highfields Spencer Academy	01/09/2020	The Spencer Academies Trust

Admission Bodies

5 new admission bodies formally joined the Fund during the first half of 2020/21:

- Amber Valley Norse Ltd – for the provision of domestic waste collection services for Amber Valley District Council wef 27.6 2020
- Churchill Contract Services– for the provision of cleaning services at Kirk Hallam Academy (The Spencer Academies Trust) wef 1.8.2020
- Mellors Catering Services – for the provision of catering services to Shirebrook Academy and Stubbin Wood School wef 4.4.2020
- Vertas Derbyshire Ltd – for the provision of caretaking and cleaning services for Derbyshire County Council wef 1.9.2020
- Concertus Derbyshire Ltd – for the provision of property design services for Derbyshire County Council wef 1.9.2020

The Admitted Body status of a further six employers is still in process and has yet to be finalised, however, for completeness, as they are operating as Fund employers (ie employing members who are contributing to the scheme) these employers have been included in the summary of employers below.

Employer summary

The number of employers actively participating in the Fund at 30 September 2020 was 332, broken down as follows:

Type of Employer	Notes	Total
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	198
Maintained Schools using an external payroll provider	County & City Schools using external payroll providers (County x 4, City x 6)	10
Housing Associations	Scheduled x2 Admitted Bodies x 3 (2 x TAB, 1 x CAB)	5
Other Scheduled Bodies	Peak District National Park Authority, Police, Fire, Chesterfield Crematorium	4
Admitted Bodies	TABs x 60, CABs x 4 (not including Housing Assn's)	64
Town & Parish Councils	Pre 2001 Pool x 15 Post 2001 Pool x 23	38
Total		332

4.9 Complaints, compliments and appeals

Complaints and compliments

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 the first half of 2020/21 a total of 14 cases identified as complaints were submitted to the Fund by members. Responses have been provided in each case and, to date, none of the cases have been escalated to the appeals stage against the Fund via the Application for the Adjudication of Disagreements Procedure (AADP).

Compliments received from members are also recorded by the Fund and shared with the team member who provided the service. During the first half of 2020/21 a total of 8 compliments had been submitted by members praising the level of service they had received.

Appeals

Progress on complaints which have been escalated to AADP, either as an appeal against the Fund at Stage 1, or an appeal against a scheme employer to be determined by the administering authority at Stage 2, during the first half of 2020/21 are summarised below.

AADP Stage 1

During the first half of 2020/21, one appeal against the Pension Fund at AADP Stage 1 has been received.

AADP Stage 2

During the first half of 2020/21, a total of 3 appeals at AADP Stage 2 were considered by the Committee. Each appeal related to a complaint about a decision made by the member's former employer.

The Pensions Ombudsman

At the end of 2019/20, two cases which had been considered at AADP Stages 1 and 2, were with The Pensions Ombudsman awaiting their determination. Currently both cases are still awaiting final determination. In addition, one further case has been escalated by a member to The Pensions Ombudsman during the first half of 2020/21, and is also awaiting determination.

5. Communications and Training

All plans for workplace-based employer training and sessions for scheme members had to be cancelled from March when the government introduced the lockdown measures in response to Covid-19.

In order to maintain progress with boarding employers onto the i-Connect system (see 6.1) the Fund arranged virtual training sessions for those in the early phases of implementation.

In order to provide relevant information on a number of issues being raised, the Fund prepared sets of "frequently asked questions" for members and employers about the impact of Covid-19 on the LGPS which were published on the Fund's website in April. All employers were notified, and were asked to signpost their scheme members to the website to access the information.

Communications to scheme members

Annual Benefit Statements based on membership as at 31 March 2020 were issued to active and deferred scheme members.

Over 91% of statements have been issued and work is ongoing to issue statements to the outstanding cases.

These predominantly relate to cases where:

- previously used addresses have been identified as no longer applicable, but no new address has been provided by the member
- full information had not been received from employers

These cases are continuing to be worked through, with statements being issued to members as soon as the required information has been received. The Fund is providing support to employers where necessary to assist with

the provision of missing information and continues to prioritise the provision of statements including good quality data.

A **letter to all scheme members** was issued on 24 September which highlighted the Fund's development of an online service to be called 'My Pension Online'. Members were notified that, from 2021, annual benefit statements would be issued via the online service, and were asked to let the Fund know if they still wished to receive a paper statement. The letter also notified members about other matters, including how to respond to a consultation about the Fund's proposed Investment Strategy Statement, RI Framework and Climate Strategy and the impact of the McCloud judgement.

The Fund ensured that each member only received one letter regardless of the number of pension records they held.

Communications to employers

During the first half of 2020/21, the Fund issued the following newsletters to employers:

Date issued	Bulletin	Topics included
8 April 2020	Special	Impact of Covid-19 on the LGPS
24 June 2020	167	Electronic signatures, Exit credits, Employer webinar, i-Connect, Member self-service, Standard contract wording
18 September 2020	168	McCloud update, Part-time hours, Public sector exit payment cap, Exit credits policy, i-Connect update, Consultation on Investment Strategy Statement, Responsible Investment Framework & Climate Strategy, Local Government Association (LGA) update, Letter to scheme members.

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

6. Projects

6.1 i-Connect

The programme for employers to implement the i-Connect system, part of the functionality linked to the Altair pension administration system, has developed during the first half of 2020/21.

The programme commenced at the start of 2020 and, to date, 78 employers have successfully implemented i-Connect for the transmission of member data from their payroll system directly into Altair.

When employers commence implementation, training is provided on using the i-Connect service. To replace site visits to employers, which had to be paused due to Covid-19, virtual training methods have been developed.

The Fund engages with, and provides support for, each employer to ensure the accuracy and timeliness of their data transmissions. The target for the i-Connect project is to have all employers on-board by the end of 2021.

6.2 Back scanning project

An estimated 3 million documents are held by the Fund on microfiche records. A project to upload the documents into the Altair system has now commenced, and is being undertaken, following a procurement exercise, by EDM Group Ltd who specialise in providing high volume, bulk document scanning and digitisation services.

All fiche records were collected from the Fund by EDM Group Ltd in July 2020. The fiches are being loaded as digitised documents onto the respective Altair records in batches.

To comply with audit requirements, details were taken of sample fiches prior to collection and will be checked against the digitised version held on record. It is estimated that the project will be completed by the end of December 2020.

6.3 Member Self-Service

The implementation of Member Self-Service (MSS), a further functionality linked to Altair, is being finalised with a view to the system being 'live' in early 2021.

The Fund's MSS Project Board agreed that the system's name when used by members would be 'My Pension Online'. This name will appear alongside the Derbyshire Pension Fund logo.

MSS will be available to all scheme members, with the main functionality being the member's ability to access their own pension records securely online. Annual Benefit Statements will be issued online from 2021, although members will have the option to continue receiving a paper copy. Details on how to register will be provided to members when 'My Pension Online' is live in early 2021.

6.4 Other projects

McCloud Project

A McCloud Project Group was set up in July to prepare for the implementation of the remedy in respect of the McCloud and Sargeant judgements. A response to the MHCLG Amendments to the Statutory Underpin Consultation was developed by this group and approved by the Chair of the Pensions and Investments Committee and the Director of Finance and ICT for submission to MHCLG.

Exit Payment Cap Project

Similarly, the Fund is currently establishing a group to review working procedures for the changes in scheme regulations which will come into force, at short notice, as a result of the new legislation governing the restriction of exit payments in the public sector.

7. Collaboration

Whilst the Covid-19 pandemic has forced the cancellation of numerous face-to-face meetings, members of the team have continued to learn, share and network with colleagues from other Funds and the wider industry at virtual meetings. Those attended during the first half of 2020/21 are as follows:

Group	Meetings
East Midlands Pensions Officers Group (EMPOG)	29 June 2020
LGPS Joint Communications Group	22 May 2020
LGPS Central Administration Sub-Group	7 April 2020
	4 May 2020
	23 July 2020

The Fund is also working collaboratively with other LGPS funds to understand the implications and implementation issues associated with the McCloud remedy and the exit payments cap legislation.

8. Other Activity

Online learning and knowledge systems

The Fund is currently reviewing the potential benefits of two systems to assist in the areas of staff training and development, and specialist pensions legal and regulatory information.

1. The TEC learning platform built by Aquila Heywood as an LGPS education tool for staff training and development.
2. The Perspective online service built by Pendragon, a specialist information provider dedicated to supplying legal and regulatory information to the pensions industry.

9. Other Considerations

In preparing this report the relevance of the following further factors has been considered: financial, legal and human rights, equality and diversity, health, environmental, transport, property, and prevention of crime and disorder.

10. Officer's Recommendation

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

Peter Handford

Director of Finance & ICT