

Agenda Item No. 4 (c)

**DERBYSHIRE COUNTY COUNCIL
PENSIONS AND INVESTMENTS COMMITTEE**

28 April 2021

Report of the Director of Finance & ICT

**Half-Year Pension Administration Performance Report
1 October 2020 to 31 March 2021**

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
9. Other considerations
10. Officer's recommendations

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 second half of 2020/2021.

2. Half-year report

For the first six months of 2020/2021, a half-year report was considered by the Committee in November 2020. This report relates to the second half of 2020/2021 and provides a summary of the Fund's performance in key areas of activity.

Maintaining efficient administration is important towards retaining the confidence and trust of scheme stakeholders such as members and employers. The impact of poor 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.

3. Covid-19 impact

The Government's further lockdown measures in response to the Covid-19 pandemic continued to present a number of challenges for the Fund's administration in the second half of the year, particularly with the majority of the team continuing to work remotely from home.

The Fund, however, has been able to maintain services effectively during remote working which has now continued for over 12 months. The detailed Covid-19 Business Continuity Plan which was initially developed in April 2020 provided a base for the maintenance and continuation of services.

The provision of services has developed around remote working including, since November 2020, the Fund taking part in a Derbyshire County Council (the Council) telephony trial which has enabled calls to the Pensions Helpline to be taken through Microsoft Teams functionality on each team member's laptop. The Council is currently reviewing the experience of the trial.

4. Workload data

A summary of the Fund's administrative activity during the period 1 October 2020 to 31 March 2021 is summarised in the following sections.

4.1 Membership numbers

Membership	31 March 2020	30 Sept 2020	31 March 2021
Actives	38,061	37,274	37,996
Deferred	28,255	30,083	30,807
Pensioners	30,904	31,484	31,930
Work in Progress	8,408	6,426	5,992
Totals	105,628	105,267	106,725

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 31 March 2021 was 89,393 who between them have 106,725 membership records.

Due to delays in the setting up of some new members' pension records in the second quarter of 2020/2021, the total for active members included in the half-yearly report to 30 September 2020 did not reflect some new starters in the period June to September 2020. Those members are now included in the latest total. The temporary backlog of setting up new member records has been removed, and the process is up to date.

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 continued to contribute monthly data towards the LGPS Scheme Advisory Board's (the Board) analysis of member deaths during the Covid-19 pandemic to help understand its impact on the LGPS.

The Board commissioned reports by Aon and Barnett Waddingham to analyse LGPS mortality during the early months of the Covid-19 pandemic. The reports identified that there had been excess mortality for both male and female pensioners across all age bands, however, suggested that, as a result of deaths being brought forward, post-pandemic periods may see lower totals of pensioner deaths. Although early deaths lead to a reduction in liabilities for

pension funds, it was felt that the impact on overall scheme funding was negligible in the context of the total liabilities that require to be funded.

During the period April to September 2020 there were a total of 518 Derbyshire Pension Fund member deaths (at the point of the report to the Committee covering the first half of 2020/2021 the Fund had been notified of 459 member deaths).

To date, there have been 467 member deaths notified to the Fund which occurred in the period October 2020 to March 2021, however, it is likely that the number will increase as further death notifications are received.

These totals 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 October 2020 to 31 March 2021 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 %	2019/2020 Target achieved %
Retirement Benefits paid	877	1	856	21	97.6%	97.3%
Death cases	591	2	566	25	95.8%	90.9%
Transfer Out quotes	247	3	199	48	80.6%	95.9%
Transfer Out paid	37	3	36	1	97.3%	71.4%
Transfer in	79	3	61	18	77.2%	69.9%
Estimate requests	378	2	375	3	99.2%	96.4%
Refunds paid	1044	2	977	67	93.6%	99.4%

The number of death cases which had missed the target period for completion was investigated to identify any patterns of reasons for the delays. It was found that a number of cases had been reported as missing the target because they had not been recorded correctly within the pension

administration system which meant that the clock had continued to run when the cases should have been recorded as awaiting information. The matter has been highlighted within the team to avoid further instances of misleading reporting.

4.4 Quantity of work – incoming and completed

Although the administrative priorities for the Fund during 2020/2021 were to maintain the payment of members' benefits and retirement and bereavement processing, the Fund's work in providing services to scheme members in other areas 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 equivalent period in 2019/20 and the first half-year period in 2020/2021 are included.

The number of work items being processed is as follows:

	Oct- March 2019/2020	Apr- Sept 2020/2021	Oct- March 2020/2021
New work items becoming due in the period	21,671	19,063	26,823
Work items completed during the period	24,073	20,438	24,672

The significant increase in workload during the second half of 2020/2021 was mainly due to data cleansing and address tracing exercises which accounted for over 5,000 individual work items in the period.

At the end of March 2021, a total of 11,144 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 31 March 2021
Aggregations	3,301
Outstanding data from employers	381
Deferments	766
Refund quotes	608
Retirement quotes	232
Death administration (in progress)	243
Retirements (in progress)	74
Others	5,539
Total	11,144

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, provided the latest common and conditional data results for 2019/2020 which were reflected in the Fund's Annual Report submitted to the Regulator in December 2020. The results for the last 3 years are shown in the table below:

Year	Common data	Conditional data
2017/2018	95%	85%
2018/2019	97.6%	92.3%
2019/2020	98%	92.5%

The data quality scores for 2020/2021 have yet to be determined by Aquila Heywood and will be reported to the Committee in the next half-yearly report.

4.6 Backlog Management Project

The ongoing project to reduce and ultimately eliminate the numbers of backlog cases in two key areas (aggregations and deferring membership) of pension administration continued throughout 2020/2021, however, progress slowed in respect of reducing the backlog of aggregation cases due to high levels of new case numbers and 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 2019/2020, the total of backlogged aggregations was 1,865. Despite the difficult working arrangements encountered during 2020/2021, the total had reduced slightly to 1,797 by the end of March 2021. (Note – the figure at 30 September 2020 was 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 2019/2020, the total of deferred backlog cases was 1,991. Significant progress has been made during 2020/2021. The outstanding total at the end of September 2020 was 833, and by the end of March 2021 had reduced significantly again to 168.

4.7 Monthly contribution returns

The half-yearly report which covered the period April to September 2020 noted that employers had in that period faced a number of challenges in respect of their LGPS responsibilities which emerged as a result of the Covid-19 pandemic. Challenges included having to implement new procedures to continue their functions including maintaining responsibilities as an LGPS employer with key staff working from home, or in some cases being furloughed.

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.

An increase in late submissions was identified in the first two months of the initial lockdown period (April and May 2020) as employers worked in their new procedures to accommodate most staff working remotely.

The Fund worked with employers who experienced difficulties with completing payments and submitting contribution reports. Full data relating to contribution payments and reports from employers is currently only available to January 2021, however, the current averages for employer submissions received by the Fund by the monthly deadline reflect that during 2020/2021 approximately 97% of contribution payments, and approximately 91% of related contribution reports were received on time.

The Fund has continued to work collaboratively with employers through 2020/2021 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 ongoing difficulties.

It became apparent at the year end, that the Fund had not received the County Council's employee pension contributions for April 2020 to February 2021 due to an administrative oversight. The outstanding sum was paid to the Fund immediately on 31st March 2021 and the late payment has been added

to the Statutory Breaches Log maintained by the Fund. Procedures are being reviewed to ensure that this does not reoccur.

4.8 New academies and admission bodies

Academies

During 2020/2021, the number of schools converting to academy status slowed with 18 academies joining the Fund as an individual LGPS employer, compared to 37 during 2019/2020.

In the period October 2010 to March 2021 a total of 7 new academies joined the Fund as an LGPS employer.

Brief details of each are as follows:

Employer Ref	Employer Name	Start Date	Academy Trust
749	Hague Bar Primary School	01/11/2020	The TRUE Learning Partnership
750	Glossopdale School	01/12/2020	
751	Field House Infant School	01/12/2020	Embark Multi-Academy Trust
752	Ladywood Primary School	01/12/2020	
753	Waingroves Primary School	01/12/2020	
754	St James' CE Aided Junior School	01/03/2021	Derby Diocesan Academy Trust
755	Outwood Academy Hasland Hall	01/03/2021	Outwood Grange Academies Trust

Admission Bodies

1 new admission body commenced as a participating Fund employer during the second half of 2020/2021:

- Accuro Facilities Management Ltd – for the provision of cleaning services for Shaw Education Trust at St Andrew's Academy, Derby. wef 01.11.2020

Employer summary

The number of employers actively participating in the Fund at 31 March 2021 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	205
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 54, CABs x 4 (not including Housing Assn's)	58
Town & Parish Councils	Pre 2001 Pool x 15 Post 2001 Pool x 22	37
Total		332

Exits from the Fund

During 2020/2021 the following ceased their participation as contributing employers in the Fund:

Employer	Reason	Date of active participation ending
Caterlink (catering provision at Swanwick Hall School)	End of contract	April 2020
Caterlink (catering provision at Shirebrook/Stubbin Wood Schools)	End of contract	April 2020
Tupton Parish Council	Last member left	June 2020
Veolia (Amber Valley Refuse)	End of contract	June 2020
RM Education Ltd (IT support services at Frederick Gent School)	End of contract	June 2020
Kier (Support services at Chesterfield Borough Council)	End of contract	July 2020
CSE Ltd (IT services at	End of contract	August 2020

Shirebrook Academy)		
Caterlink (catering provision at Abercrombie Primary School)	Last member left	Sept 2020
Arvato (Support services at Chesterfield Borough Council)	End of contract	January 2021
Arvato (Support services at Derbyshire Dales District Council)	End of contract	January 2021

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 second half of 2020/2021 a total of 10 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 second half of 2020/2021 a total of 6 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 second half of 2020/2021 are summarised below.

AADP Stage 1

During the second half of 2020/2021, there were no appeals against the Pension Fund at AADP Stage 1 received.

AADP Stage 2

During the second half of 2020/2021, a total of 4 appeals at AADP Stage 2 were considered by the Committee.

Three of the appeals, which were all upheld by the Committee, related to a complaint about a decision relating to the member's eligibility for the release of pension benefits on the grounds of ill-health made by the member's former

employer. The remaining appeal which was against the Fund was based on a member's dissatisfaction with failure to issue Annual Allowance statements on time in 2017 and 2018. The appeal was not upheld by the Committee.

The Pensions Ombudsman

During the second half of 2020/2021, two cases which had been considered at AADP Stages 1 and 2, were submitted to The Pensions Ombudsman by fund members, and to date both cases still await the Ombudsman's determination.

Of two outstanding cases submitted to the Ombudsman in 2019/2020, one case was escalated by the member to a formal determination stage at which the Ombudsman rejected the complaint.

The remaining outstanding case from 2019/2020 is still to be adjudicated by the Ombudsman.

5. Communications and Training

All plans for workplace-based employer training and sessions for scheme members had to be cancelled from March 2020 when the government introduced the lockdown measures in response to Covid-19.

During the second half of 2020/2021 the Fund has continued to progress with boarding employers onto the i-Connect system (see 6.1) and has undertaken virtual training sessions for those in the early phases of implementation.

Additionally, virtual training sessions, and bespoke meetings on specific topics to support employers, commenced towards the end of 2020 and into 2021 and have included training and support on a range of issues including:

- Ill-health retirement procedures
- Year end returns for employers who have not yet implemented i-Connect
- Completion of fund documentation
- Admitted Body Status
- Public Sector Exit Payment Cap

Communications to scheme members

The majority of Annual Benefit Statements based on membership as at 31 March 2020 were issued to active and deferred scheme members during the first half of 2020/2021, however, statements which could not be issued with the main batches of submissions have been prepared and issued when the member's statement was finalised. These predominantly relate to cases where:

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

By the end of March 2021, the following totals of Annual Benefit Statements had been issued to members;

- Active members - 95.3%
- Deferred members (with confirmed home addresses) – 97.6%

Communications to employers

During the second half of 2020/2021, the Fund issued the following newsletters to employers:

Date issued	Bulletin	Topics included
7 October 2020	Special	Public Sector Exit Payment Cap update (1)
26 October 2020	Special	Public Sector Exit Payment Cap update (2)
14 January 2021	169	Prudential AVCs, casual and relief staff, opting out, My Pension Online
5 March 2021	170	Revised Pension Administration Strategy, Year-End Return Deadline 23 April, Employee contributions banding changes

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

In addition to Employer Newsletters, the Fund has communicated with all Fund employers on a number of issues including:

- Further updates on the Public Sector Exit Payments Cap which was disapplied by the government in February 2021
- Prudential AVCs
- Consultation on the Fund's Pension Administration Strategy

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 continued to develop throughout the second half of 2020/2021.

Implementation commenced at the start of 2020, and 174 employers are currently securely transmitting member data to the Fund via i-Connect, from their payroll system directly into Altair, and as a result of submitting data on a monthly basis, have not been required to prepare and submit a Year-End Return for 2020/2021.

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 the Covid-19 pandemic, virtual training methods have been utilized.

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 working towards implementation 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 is nearing completion. The project has been undertaken in liaison with EDM Group Ltd who specialise in providing high volume, bulk document scanning and digitisation services.

All digitised fiche records have been returned to the Fund by EDM Group Ltd and are being loaded onto the respective Altair records in batches. The majority of records have been loaded and it is expected that the project will be completed in the near future.

Once the Fund has completed a quality control exercise on the returned records, it will instruct EDM Group Ltd to destroy the physical fiche records.

6.3 Member Self-Service (My Pension Online)

The implementation of Member Self-Service (MSS), a further functionality linked to Altair, is being finalised with a view to the system having a phased rollout from May 2021. The service's operational name will be 'My Pension Online'.

MSS will be 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.

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 and their Annual Benefit Statement is ready to view online.

6.4 Other projects

McCloud Project

A McCloud Project Group was set up in July 2020 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.

In February 2021 the government's response was issued to the consultation on changes to the unfunded public service pension schemes including the teachers, NHS, civil service, police and fire schemes. The LGPS is subject to

a separate MHCLG consultation process and the government's response has yet to be issued.

The Project Group is currently liaising with employers to identify where data required for the McCloud implementation may need to be collected.

Exit Payment Cap Project

On 12 February 2021, Her Majesty's Treasury (HMT) issued a Direction to disapply the Restriction of Public Sector Exit Payments Regulations 2020 (£95K cap) with immediate effect. The Regulations were formally revoked on 19 March 2021.

Instructions were issued to review any exits that occurred between 4 November 2020 and 11 February 2021 where the employer was not able to meet the full strain cost because of the exit cap. No cases of exits from the Fund occurred during that period where the full strain cost was not applied.

The Fund's Public Sector Exit Payments Cap Interim Policy which had been approved in December 2020 to meet the requirements of the exit cap regulations has now been formally stood down and exits from the LGPS are again now all applied in compliance with The Local Government Pension Scheme Regulations 2013.

7. Collaborations

Whilst the Covid-19 pandemic 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 second half of 2020/2021 included:

Group	Meetings
East Midlands Pensions Officers Group (EMPOG)	2 October 2020 14 January 2021
LGPS Joint Communications Group	10 December 2020 12 March 2021
Pensions Managers Conference	17/18 November 2020

The Fund has also worked collaboratively with other LGPS funds to understand the implications and implementation issues associated with the McCloud remedy, and the exit payments cap legislation before it was disapplied.

8. Other Activity

Online learning and knowledge systems

The Fund reviewed 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.

The TEC learning platform remains under review, however, it was decided that a commitment to the Perspective service was not appropriate at this time.

An alternative system providing legal, regulatory and operational guidance is due to be reviewed in the coming months.

Pension Administration Strategy

The Committee approved the Fund's revised Pension Administration Strategy at the meeting on 3 March 2021, subject to consultation with participating employers.

Employers were provided with a link to the revised Strategy and invited to submit comments during the consultation period which ran from 5 to 25 March 2021.

No comments were received, and the Pension Administration Strategy was formally applied from 1 April 2021 following the approval of the Chair of the Committee and the Director of Finance and ICT.

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