



**Pension Board**  
03 November 2020

**Report from the Director of Finance**

## **Pensions Administration Update**

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
<b>No. of Appendices:</b>	1. Breaches Policy 2. Reforming local government exit pay
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance Sawan Shah, Senior Finance Analyst

### **1.0 Purpose of the Report**

1.1 This report updates the Pensions Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund.

### **2.0 Recommendation(s)**

2.1 The board is recommended to note the overall report.

### **3.0 Pensions Administration Performance Report**

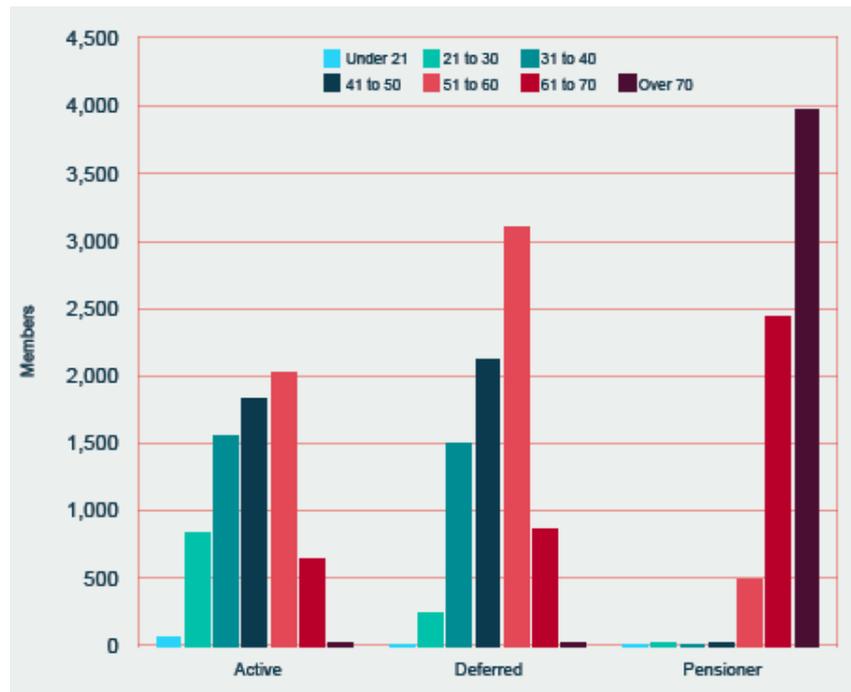
3.1 The administration of the Brent Pension scheme was transferred to LPP on 1 October 2018. This report reviews the performance of the LPP contract against agreed Service Level Agreements (SLA's) during June to September 2020.

3.2 The Pensions administration team are holding monthly meetings with LPP to monitor the performance of the contract looking at both the individual month and trends across months.

- 3.3 As of 30 September 2020, the Brent Pension Fund had 23,265 members, which was made up of:
- 6,806 active members
  - 7,090 pensioners (including dependants)
  - 9,369 deferred beneficiaries.

- 3.4 Figure 1 shows the current age demographic of the Brent Pension Fund members. This is broken down between active, deferred and pensioner members.

Figure 1:



- 3.5 The percentage of cases completed on time has remained high with a quarterly average of 99.49%. The cases completed on time in September 2020 was 99.5% which was above the target of 98%.
- 3.6 Figure 2, provides detail on the number of cases that have processed grouped by category. At the start of July, cases brought forward totalled 1,720 and there were 1,807 outstanding cases at the end of September. The biggest increases in outstanding cases were seen in the deaths and employer estimates category.

Figure 2:

**ONGOING CASEWORK AT THE END OF THE REPORTING QUARTER**

	Brought Forward	Completed	Received	Outstanding
New Starters	117	433	376	60
Transfer In	168	115	92	145
Transfer Out	69	104	87	52
Estimate - Individual	25	119	130	36
Deferred Benefits	301	652	622	271
Deaths	383	228	301	456
Retirements (Immediate)	23	19	36	40
Retirements (Deferred)	317	118	110	309
Refunds	72	195	192	69
Estimates - Employer	11	187	227	51
Correspondence	21	223	237	35
Aggregation	68	99	95	64
Other (see Definitions – page 3)	145	280	354	219

- 3.7 Helpdesk call performance measures the average wait time and calls answered. The Fund is disappointed with average wait times of 4 minutes and 48 seconds in July and August however September has shown improved performance of 2 minutes 29 seconds, which was closer to the target time of 2 minutes. The fund will be working with LPP to understand the reasons behind the delayed timings. The average calls answered should be 90% but in July it was below average with only 84.9% of calls being answered but this picked up in August and September and was above the target of 90%.
- 3.8 Service improvements delivered include the launch of a bereavement survey, an in-house bulk email solution procured and mortality tracing and address screening launched through Target.
- 3.9 Scheduled updates include launch of single website for all Members and Employers which is due in November 2020, members surveys to launch for estimates and transfers and a 'Livechat' feature to be available on the new website.
- 3.10 Since July 2020, 8 new complaint cases have been received. This included 3 new complaints in July, 2 new complaints in August and 3 new complaints in September. Out of the 3 cases in September, 2 related to delays and 1 related to general service. 1 of the delayed complaints have been resolved and 2 are outstanding. Brent and LPP are taking action to ensure that these cases are resolved swiftly however the complex nature of some cases means that this is not always possible. In addition, following the completion of each case, a process is undertaken to ensure any lessons learned are reviewed and consequently, if necessary, processes and procedures will be updated.

## **4.0 Annual Benefit Statements**

- 4.1 It is a statutory responsibility for the scheme manager to issue an annual benefit statement (ABS) to all eligible active and deferred members by 31 August each year.
- 4.2 For active and deferred members, an ABS was issued online to all members identified on year end returns from employers by the deadline of 31 August 2020. Any members who have opted out of electronic communications will have received a printed copy of their ABS through the post.
- 4.3 The production of an ABS requires scheme employers to submit an end of year return. Overall, the timeliness of year-end returns from employers was disappointing this year, with many employers missing the 30<sup>th</sup> April deadline. Fund officers and LPP commenced an exercise in the summer to ensure that all returns were submitted, escalating to senior management where necessary. All returns were eventually received.
- 4.4 There were a small number of records where queries from year end returns had not been resolved in time. For these members an ABS could not be produced as employers had not been forthcoming with the relevant information. These outstanding queries are being monitored by LPP and as soon as the queries are resolved an ABS will be issued.
- 4.5 The Pensions Administration Strategy allows the scheme manager to take actions against employers that do not comply with their statutory and legal obligations to the Pension Fund. These actions will be considered should employers not respond to LPP's requests for information in a timely manner.
- 4.6 As outlined below, the Fund is carrying out a focussed exercise with a dedicated resource to clear historical unprocessed leavers. Due to this issue, it has not been possible to issue an ABS to these members. The project will be resolving these records and an ABS will be made available to these members as soon as possible. This project is expected to be completed by 31<sup>st</sup> March 2021.
- 4.7 As part of The Pensions Regulators Code of Practice, employers and other individuals involved in running a pension scheme have a legal duty to report a breach of the law where it is likely to be of material significance to the regulator. In order to clarify the decision making process with regards to reporting breaches, a breaches policy for the Brent Pension Fund was produced and agreed by the Pension Board in July 2018. This is attached as appendix 1 for reference. At this stage, it is not considered to be a material breach to report to TPR. The main considerations for this decision are set out below.
- In relation to active members, prompt action has been taken and a plan has been put in place to resolve the outstanding issues as soon as reasonably practical.
  - The scheme manager will work closely with LPP and employers to resolve the outstanding queries as soon possible, treating the overall exercise as a high priority.

- The Pensions Administration Strategy provides the scheme manager with the powers to take action against employers who not comply with the standards set out in the strategy.

## **5.0 Data Cleanse and GAD Valuation**

- 5.1 Following the transition to LPP on 1 October 2018, regular monthly contract performance meetings have been arranged where performance against agreed service level agreements has been discussed.
- 5.2 In addition, a separate project was commissioned to review, cleanse and fix any errors identified in member data. This was to ensure that the Fund's data scores were compliant with The Pensions Regulator's expectations (for common and conditional data) and that the 2019 valuation was as accurate as possible.
- 5.3 The first phase of the project was completed ahead of submission of membership data for the 2019 triennial valuation.
- 5.4 Following feedback received from the 2019 valuation process and the recent analysis of the initial data exercise from GAD, the Fund is aware of records that are historical missing leavers which remain unsolved.
- 5.5 As part of business as usual, LPPA continue to work through year end query responses received from employers. However, in many cases, the responses received are not sufficient to process the leaver cases. Additionally, the Fund has carried out several initiatives to improve employer engagement including training sessions and Employers forums. Due to the age of the cases and considering that many employers have changed payroll providers, it has proven difficult to resolve these queries as part of business as usual.
- 5.6 Therefore, the Fund has commissioned a separate project to review and resolve these outstanding leaver queries. This will ensure that additional dedicated resources can be put in place until 31<sup>st</sup> March 2021 in order to ensure that this issue can be resolved as quickly as possible. Should a dedicated project not be commissioned, it is likely that these cases will remain un-solved into 2021/22 and continue to impact Brent's data scores.
- 5.7 The process for clearing the leavers will depend on the case. Options include: using data available through previous end of year returns, contacting the employer to resolve the query, reviewing archives for leaver information or contacting the member for payslip/P60 information.
- 5.8 1,385 missing leaver queries have been identified as within the scope of the project and the Fund will receive weekly updates on progress against the project from LPPA. The work began as planned on 12<sup>th</sup> October and good progress has been made initially. The starting position was 1,385 unprocessed leavers and the latest position at the time of writing was 1,281, a reduction of 104.

- 5.9 The project team includes an experienced member of the administration team who has relevant experience in handling complex cases. The project runs until 31<sup>st</sup> March 2021 however the Fund will review progress in December 2020. Should the project be unsuccessful, it will be stopped at this point. The full cost of the project (to March 2021) is in the region of £75,000. The Fund's record keeping plan will be updated to reflect this new phase of the data cleanse project incorporating new activities that are being undertaken.
- 5.10 The Fund does not consider doing nothing as a viable option for these cases. It has become clear over recent months that due to the complex nature of these queries, it will not be possible to resolve these in a timely through business as usual (BAU). Furthermore, lack of action will continue to pose a risk for the Fund including, but not limited to:
- Errors remaining on records at the next valuation therefore requiring assumptions to be made.
  - A material impact on the Fund's TPR data score, in particular the conditional score which records scheme specific data.
  - The GAD (Government Actuary Department) require good quality data to be submitted for their analysis of LGPS funds.

## **6.0 Consultations**

- 6.1 In recent months, a number of consultations that relate directly to the LGPS and the wider pensions sector have been published.
- 6.2 As reported to the previous Pension Board, The Ministry of Housing, Communities and Local Government (MHCLG) had published a consultation on the proposed remedies for the LGPS to remove age discrimination following the McCloud judgement. This consultation ran for 12 weeks to 8 October and the Brent Pension Fund submitted a response prior to the deadline. MHCLG are in the process of analysing feedback and the outcome is due to be released shortly.
- 6.3 In addition to the HM Treasury £95k exit payments cap, on 7 September 2020 MHCLG launched a consultation on changes to the LGPS and compensation regulations. The consultation covers the required changes to regulations to introduce the £95k cap and bring the exit compensation terms for local government workers in line with the framework set out by the Government in September 2016. The consultation document is attached in appendix 2.
- 6.4 As part of the proposals, certain members aged 55 and over receiving statutory redundancy payments will lose the right to receive unreduced pensions where a pension strain is payable. Further detail on the proposals is provided in the actuarial update on this agenda.
- 6.5 The consultation closes on 9 November 2020. Comments from any member of the Board regarding the consultation should be sent to Ravinder Jassar ahead of the closing date.

6.6 On 6 April 2016, the government introduced the new State Pension (nSP). The reformed system simplified pension provision but removed the mechanism that enabled those public servants in 'contracted-out' employment between 1978 – 1997 to have their Guaranteed Minimum Pension (GMP) fully price protected. An interim solution was introduced, which was later consulted on and extended until 5 April 2021.

6.7 On 7 October 2020, the government published consultation on how it proposes to ensure it continues to meet these past commitments to public service employees regarding the full indexation of public service pensions, including for any related GMP element for members of public service pension schemes. The consultation considers the policy options available to the government and is open until 30 December 2020.

## **7.0 Financial Implications**

7.1 As outlined in section 5 of the report, LPPA have been commissioned to undertake a separate project in order to process historical 'missing' leavers. Should the project run to end March 2020, the cost of the project will be in the region of £75k which will be funded from the Brent Pension Fund.

## **8.0 Legal Implications**

8.1 Not applicable.

## **9.0 Equality Implications**

9.1 Not applicable.

## **10.0 Consultation with Ward Members and Stakeholders**

10.1 Not applicable.

## **11.0 Human Resources**

11.1 Not applicable.

**Report sign off:**

***Minesh Patel***  
Director of Finance