

DERBYSHIRE COUNTY COUNCIL
PENSIONS AND INVESTMENTS COMMITTEE

31 October 2018

Report of the Director of Finance and ICT

Quarterly Pensions Administration Performance Report
1 July 2018 to 30 September 2018

1 Purpose of the Report

To notify the Pensions and Investments Committee (the Committee) of the administration activity undertaken by the Pensions Administration Team (the Team) of Derbyshire Pension Fund (DPF), and the performance levels achieved, in the second quarter of 2018/19 (Q2).

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3 Workload data

3.1 Membership numbers

Membership	30 June 2018	30 September 2018	Change
Actives	40785	39654	-1,131
Deferred	31340	31371	+31
Pensioners	29042	29441	+399
Totals	101167	100466	-701

Table 1

The number of Active member records has reduced during Q2, having risen consistently over the last five years. This reflects the work now being undertaken by DPF's larger employers, with the support of the DPF team, to tackle their own backlogs of leavers. Where members have left their employment, DPF will necessarily have continued to record them as 'Active' until authorised leaver documentation providing the payroll information necessary to calculate the leaver's refund, deferred benefit, pension or transfer value, is received from the employing authority. So the longer the delay between Fund members leaving employment and DPF being notified, the more inflated the 'Actives' figure will be.

Of the leavers notified to DPF during Q2, 199 qualified for refunds, 655 for deferred benefits, 268 for pension benefits to be put into payment, and 54 opted for transfers out. Despite this, the number of 'Deferreds' recorded in Table 1 has only increased marginally. This reflects the impact of the work on 'Aggregations', which involves joining two or more deferred cases together, and the increase in deferred beneficiaries deciding to take their pension benefits early and, as a result, moving into the category of 'Pensioner'. There were 283 such cases processed during Q2, including 62 of those between ages 55 and 59 who became entitled to early payment further the LGPS Amendment Regulations reported to Committee in August 2018. This compares with just 186 such cases processed during Q1. The work of the Team in raising members' awareness of their entitlements under the Local Government Pension Scheme (LGPS) is likely to have contributed to the increased number of early retirements from deferred status now being processed by the Team.

The Team will continue to monitor, report and analyse the changing trends in Membership Figures which are fundamental in DPF's funding and investment strategy decisions and in determining employer contribution rates.

3.2 Throughput Q2 2018/19

The throughput figures in Table 2 show the work that was processed through the system during the quarter. These figures exclude other areas of activity such as dealing with telephone and email queries.

Case type	Number of cases in progress at Start of Q2	New Cases	Cases Closed	Number of cases in progress at End of Q2
Retirement Benefits paid	50	551	556	45
Death cases	286	204	271	219
Transfer Out paid	69	54	63	60
Transfer In quotes	241	74	117	198
Transfer Out quotes	305	149	135	319
Estimate requests	453	987	949	491
Notification of Deferred Benefits	920	655	412	1163
Refunds paid	10	199	199	10
Aggregations	5139	813	1648	4304
Others	8907	22026	20578	10355
Total Cases	16380	25712	24928	17164

Table 2

‘Others’ covers numerous work areas including, for example, new joiners which are uploaded monthly in bulk from the larger employers, changes to members’ personal details, GMP input, CARE and PI revaluation updates, and data cleansing activity.

In comparison with Q1’s throughput figures, 3,546 more cases were closed in Q2. However, as the incoming workload in Q2 was greater than Q1 by 6,545 cases, there were more cases in progress at the end of Q2 than at the start.

Part of this increase in workload has been due to data cleansing work ahead of the migration of data to the new system. These figures also clearly reflect the increase in the number of leaver forms being received from the larger employers referred to in para 3.1 above. For example, in the area of ‘Notification of Deferred Benefits’, 266 more cases were received in Q2 than in Q1. Therefore, despite the team closing 212 more such cases than was achieved in Q1, the number in the in-tray has continued to grow, and a further 81 cases have slipped into backlog (Table 3).

Aggregations were also subject to the increase in workload so, despite the team reducing the number of cases in progress during Q2 (Table 2) from 5,139 to 4,304, the backlog figure has yet to feel a beneficial impact (Table 3).

Backlog items are those which have not been processed within the targets set by The Occupational Pension Schemes Regulations 1996 (Appendix A). Work

areas where backlogs previously existed but have since been cleared include 'New Joiners', 'UPM not updated' and 'Data Cleanse items'.

Case type	Backlog at the end of Q1	Backlog at the end of Q2	Change (%)
Transfers	237	172	-27.4%
Deferred Benefits	677	758	+10.7%
Aggregations	1949	2062	+5.5%

Table 3

3.3 Achievement against standards

The statutory timescales against which performance is currently measured were set by The Occupational Pension Schemes Regulations 1996, and are attached at Appendix A. Table 4 captures achievement against these targets in Q1 and Q2.

Case type	% achieved against statutory timescales Q1	% achieved against statutory timescales Q2
Retirement Benefits paid	89%	94%
Death cases	90%	91%
Transfer Out paid	95%	93%
Transfer In quotes	100%	100%
Transfer Out quotes	91%	92%
Estimate requests	97%	99%
Notification of Deferred Benefits	3%	3%
Refunds paid	99%	100%

Table 4

Whilst it is intended to adopt a more demanding set of targets once the benefits of the replacement pensions administration system start to be felt, in terms of relative performance it is worth noting that the Q2 figures are closer across the range of targets to 100% than in any previous quarter. It might have been expected that these figures would fall away during Q2 which has seen resource allocated to Annual Benefit Statement production (para 4.1), the onboarding of an unprecedented number of new academies (para 3.6), the system migration project (para 6.1), and the development of the new website (4.4), whilst processing the increased amount of leaver documentation received (para 3.2).

The figure of around 3% each quarter against 'Notification of Deferred Benefits' continues to reflect the low priority level attached to this work relative to work areas that result in immediate payments to Fund members. It is not expected that performance in this area will improve significantly until after the replacement pensions administration system is well established.

3.4 Employing authority performance

The data recorded for employers' notifications of retirements, refunds and deaths-in-service in Q2 is presented in Appendix B.

The figures represent an improvement on Q1 and it is likely that the majority of the late notifications of retirements and refunds are due to the backlog clearing work at the larger employers referred to in para 3.1.

3.5 Monthly contribution returns

There is a statutory requirement for employers to remit contributions by the 19th of the month following deduction from payroll. Employer performance in this area during Q2 was as follows:

Month	Total no. of returns expected	Received on time	Less than a week late	Between a week and a month late	Over a month late
July 2018	223	187	18	7	11
August 2018	223	187	18	1	17
Sept 2018					

Table 5

Due to the collation of responses a month after contributions are due, this report can only include a full set of figures from the first two months of Q2 2018/19.

Employing authorities whose payment and/or related documentation, has been received late on three occasions or more, have received a letter explaining that they have accrued a charge under the terms of the Pensions Administration Strategy. An invoice for the amount accrued will be sent, along with invoices relating to future underperformance, if statutory compliance is not achieved by that employer each month for the remainder of 2018/19.

3.6 New academies and admission bodies

Twenty-two new academies joined the Fund as scheme employers during Q2 2018/19, as follows;

New Academy	Academy Trust	New Scheme Employer From
Holbrook School For Autism	Esteem Multi-Academy Trust	01/08/2018
Peak School		01/08/2018
Bennerley Fields Specialist Speech And Language College		01/08/2018
Stanton Vale School		01/08/2018
South Derbyshire Support Centre		01/08/2018
Derby Cathedral School	Derby Diocesan Academy Trust	01/09/2018
Alvaston Junior School	The Harmony Trust	01/09/2018
Reigate Park Primary School		01/09/2018
Cottons Farm Primary School		01/09/2018
St Thomas Catholic Primary (Ilkeston)	St Ralph Sherwin Catholic Multi Academy Trust	01/09/2018
St Elizabeth's Catholic Primary School (Belper)		01/09/2018
Christ The King Catholic Primary (Alfreton)		01/09/2018
St Anne's Catholic Primary School (Buxton)		01/09/2018
All Saints Catholic Primary School (Glossop)		01/09/2018
St Margaret's Catholic Primary (Glossop)		01/09/2018
Saint Mary's Catholic Primary (Glossop)		01/09/2018
St Charles's Catholic Primary (Hadfield)		01/09/2018
St Mary's Catholic Primary (New Mills)		01/09/2018
St Thomas More Catholic School Buxton		01/09/2018
St Mary's Catholic Primary School And Nursery (Derby)		01/09/2018
St Alban's Catholic Primary School (Derby)		01/09/2018
St Joseph's Catholic Primary School (Derby)		01/09/2018

Table 6

Four new admission bodies also joined DPF in Q2, as follows;

New Admitted Body	Contract	New Scheme Employer From	Number of Employees
Ward Recycling Ltd	Chesterfield Borough Council (2 nd stage TUPE from Veolia)	27.4.2018	1
Caterlink	Chesterfield St Mary's Catholic High School	1.8.2018	19
Wealden Leisure Ltd (Trading as Freedom Leisure)	Derbyshire Dales District Council	1.8.2018	127
Churchill Contract Services Ltd	Chesterfield St Mary's Primary School	1.9.2018	5

Table 7

3.7 Application for Adjudication of Disputes Procedure (AADP) update – progress on disputes involving the administering authority

There was one AADP case considered by Pensions and Investment Committee during Q2.

4 Communications

4.1 Annual Benefit Statements (ABSs)

The Team was able to issue 77.3% of the potential population of 2017/18 active and deferred member Annual Benefit Statements by the statutory deadline of 31st August 2018. However, the potential population figure represents the number of active and deferred records on the system at 31st March 2018 and requires adjustment to give a true figure. Firstly, the active members who had left during 2017/18 but not been processed would not qualify for an active ABS so should not be counted. A further adjustment is necessary to reflect those active members who have left since 31st March 2018 and before 31st August 2018. In total, this reduces the active population by approximately 2,500. The population of deferred ABSs also requires reduction to reflect the 469 deferred beneficiaries who became pensioners between 31st March 2018 and 31st August 2018. After the adjustments have been applied, the percentage of Annual Benefits Statements issued by the Team amounts to 80.9%.

The remainder were suppressed, either because home addresses were out of date, data had not been received from employers, or cases were being held awaiting processing. As home addresses are identified, the data issues are resolved, and cases are processed, outstanding ABSs

are issued. A further 1,097 ABSs were issued before the end of Q2, taking the percentage of ABS issued to 82.7%. The Team are continuing to cleanse the data in line with the Data Improvement Plan. The data cleansing together, with the implementation of the new pensions administration system, is expected to result in an improvement in the percentage of ABSs issued next year.

- 4.2 Lunchtime drop-in sessions were held in County Hall in September 2018 for Fund members with queries about their Annual Benefit Statements. Over 100 Fund members attended and the feedback received indicated that these sessions were of benefit. Further sessions will be held in the Council House in Derby and at other venues around the County during Q3.
- 4.3 Meetings and training sessions have continued throughout Q2, with the two largest employing authorities, Derbyshire County Council and Derby City Council, and a number other employers, to encourage and assist with the provision of more prompt and accurate data.
- 4.4 The new Derbyshire Pension Fund website, along with the new branding, was launched on 1st October 2018. The address of the new site is <https://derbyshirepensionfund.org.uk/home.aspx>.
- 4.5 Employer Newsletter 158 was sent in September 2018 to Fund employer contacts and can be accessed on the new website at <https://derbyshirepensionfund.org.uk/about-the-fund/latest-news/news-items/employer-newsletter-158.aspx>.

5 Governance and Regulations

- 5.1 The Pensions Regulator's Annual Scheme Return requirements were received in September 2018. Arrangements are in place to complete and return the information requested ahead of the target date of 6th November 2018.

6 Projects

- 6.1 Replacement Pension Administration System
Work has continued to prepare letters and workflow processes for the new system, further data cleansing has taken place, and some training has been received by the Project Team. However, supplier problems with converting and migrating the data from the current system will push back the implementation date from November 2018 into Q4 18/19.

A verbal update will be provided at the meeting.

- 6.2 Guaranteed Minimum Pension (GMP) Reconciliation

It is anticipated that the deadlines of October 31st 2018 for the submission of queries to HMRC, and 31st December 2018 for the resolution of pensioner cases will be achieved, subject to any further pensioner cases being identified. Whilst the DPF team is dealing directly with Fund pensioners in the cases where their benefits are being corrected further to the reconciliation exercise, this is based on information from a third party provider who has carried out the comparison between the Fund's data and the HMRC's records. A review of the information provided by the supplier has identified that there may be further pensioner cases that will now miss the project deadline. Members will be updated about further actions.

7 Collaboration and Training

7.1 Members of the DPF team have continued to learn, share and network with colleagues from other Funds and the wider industry at the following events during Q2;

- CLASS Conference July 11th and 12th 2018
The annual user group event for users of the Heywood Altair pensions administration system
- LGPS Strategic Admin Group 27th July 2018
A new group comprising senior officers from the member authorities of the LGPS Central Pool looking strategically at collaboration across their pensions administration sections
- Joint Communications Group September 17th 2018
A number of Funds sharing costs and resource to generate consistent, high quality LGPS information for Fund members and employers
- Visit to Greater Manchester Pension Fund (GMPF) August 13th 2018
GMPF is one of the largest LGPS Funds in England & Wales and a user of the Heywood Altair pensions administration system. DPF team members learned a great deal on the day about the practical application of the Altair system and this is helping to shape the way the DPF's replacement pensions administration system will be designed and used.

7.2 Members of the DPF team have continued to develop their skills and knowledge during Q2 as follows;

- Transfers training
Seven members of staff attended training events delivered by the LGA around the increasingly complex area of the transfer of pension benefits during September 2018
- Eversheds Employer Covenant Training
Four members of staff received training in managing employer risk from legal and other industry experts

8 Financial Considerations

None

9 Other Considerations

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

10 Background Papers

None

11 Officer's Recommendation

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

Peter Handford
Director of Finance and ICT

Appendix A

The Occupational Pension Schemes Regulations 1996.

The statutory timescales against which admin performance is currently measured were set by The Occupational Pension Schemes (Disclosure of Information) Regulations 1996, and are as follows:

Area of Work	Statutory Timescale
Retirement Benefits Paid	1 month from date benefits become payable
Death Cases	2 months from notification
Notification of Deferred Benefits	2 months from date of leaving
Estimate Requests	2 months from date of request
Transfer Out Quotes	3 months from date of request
Transfer Out Paid	6 months from the guarantee date
Transfer In Quotes	2 months from receipt of all info
Refunds Paid	2 months from date of request for payment

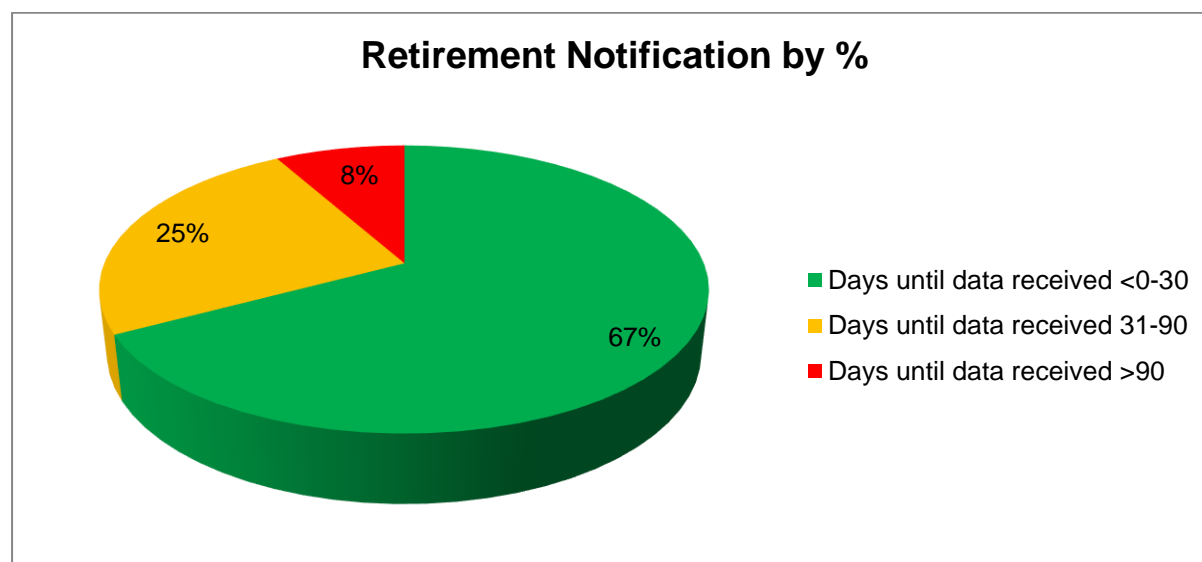
Appendix B – Employer performance measures

1 Time elapsed from date of death until 'Death in Service' (DIS) notification received by Derbyshire Pension Fund

DPF commenced processing DIS cases in Q2 further to notifications from four employing authorities as follows;

Scheme Employer	Days until data received			Total
	<0-30	31-90	>90	
Derbyshire County Council	3	2	1	6
Derby City Council	0	2	0	2
Other Employers	1	0	1	2
All Employers	4	4	2	10

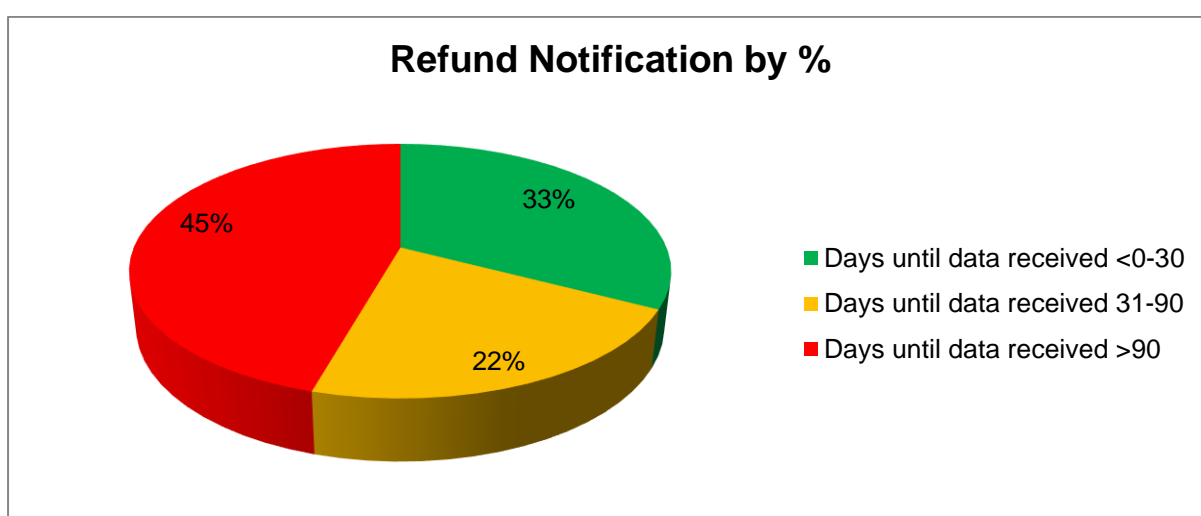
2 Time elapsed from retirement date until retirement notification received by Derbyshire Pension Fund



DPF commenced processing retirement cases in Q2 further to notifications from 42 employing authorities. Figures are available in more detail but the following table is broken down for simplicity between the two largest employers, district councils, academies and the rest.

Scheme Employer	Days until data received			Total
	<0-30	31-90	>90	
Derbyshire County Council	79	30	10	119
Derby City Council	13	6	1	20
District Councils	21	7	2	30
Academies	15	7	2	24
Other Employers	28	7	4	39
All Employers	156	57	19	232

3 Time elapsed from leaving date until notification received by Derbyshire Pension Fund to enable refund of contributions



DPF commenced processing contribution refund cases in Q2 further to notifications 33 employing authorities. Figures are available in more detail but the following table is broken down for simplicity between the two largest employers, district councils, academies and the rest.

Scheme Employer	Days until data received			Total
	<0-30	31-90	>90	
Derbyshire County Council	8	14	43	65
Derby City Council	20	8	22	50
District Councils	17	3	2	22
Academies	9	2	10	21
Other Employers	9	15	11	35
All Employers	63	42	88	193