



## Pension Fund Committee

<b>Title</b>	Administration Performance Report and update on other administration and legislative matters
<b>Date of meeting</b>	11 January 2024
<b>Report of</b>	Executive Director of Strategy & Resources (\$151 officer)
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	Appendix A - London Borough of Barnet Pension Fund Communication and Engagement Policy (draft)
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### Summary

This paper provides the Pension Fund Committee with an update on the current administration performance by West Yorkshire Pension Fund (WYPF), along with updates on other administration and legislative matters.

### Recommendations

1. That the Pension Fund Committee note the current performance levels by WYPF and updates on other administration and legislative matters.
2. That the Pension Fund Committee approve the new draft Communication and Engagement Policy attached in Appendix A.

## **1. Reasons for the Recommendations**

- 1.1 The efficient delivery of benefits is reliant upon effective administrative procedures being in place, along with the presence of quality data.

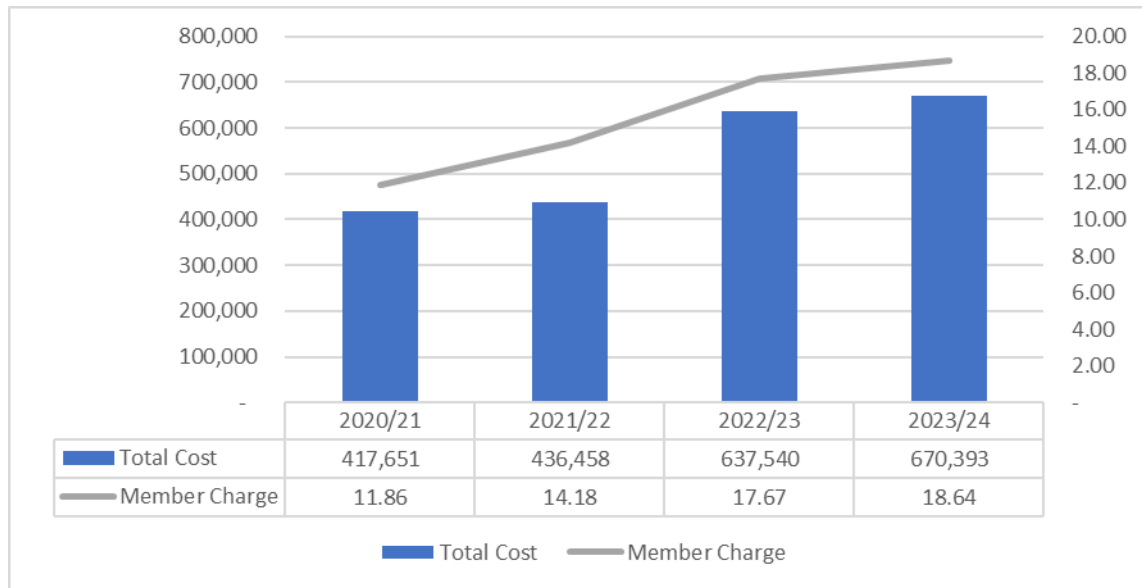
### **WYPF Performance**

- 1.2 In November, WYPF processed **1,019** cases with **c91%** cases being completed within the agreed Key Performance Indicators (KPIs) targets. These figures remain consistent with the last few months. WYPF work in progress levels remain high and this is expected to continue as they review and work through the cases affected by the McCloud judgement.
- 1.3 The LBB Pensions Team (“the Pensions Team”) monitor WYPF performance monthly and the Local Pensions Board were updated on administration performance at their meeting on 18 December 2023.
- 1.4 The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received remains very low. There is currently one stage 1 IDRP case and one stage 2 case. There are two outstanding cases with The Pensions Ombudsman (TPO) which have been responded to and we are waiting their decision.
- 1.5 Two members have accepted compensation of £500 each offered from the Pension Fund due to maladministration. Compensation is offered where the Pensions Team decides that a member has suffered “distress and inconvenience” in relation to their pension. The amounts of compensation are determined in line the Pension Ombudsman’s “Redress for non-financial injustice” document, which suggest the compensation that should be offered depending on the level of distress and inconvenience suffered by the member.
- 1.6 Member Newsletters for all fund members are due to be issued in December 2023. Members of the Committee will be sent a copy for the newsletter for information.
- 1.7 The Administration Strategy document for the Fund outlines the processes and procedures agreed between West Yorkshire Pension Fund (WYPF) and Fund. Its aim is for WYPF and employers to work collaboratively together in a cost-effective way to administer the Fund whilst maintaining an excellent level of service to members.
- 1.8 The Pensions Team have started the review of WYPF’s performance against the criteria in the Administration Strategy, as mentioned at the last Committee meeting in November 2023. The results of this review will be provided to the Committee at the next meeting in April.

### **WYPF Fees**

- 1.9 The Pensions Team recently met with WYPF to discuss and get a better understanding of their fee (which is the largest fee of any Fund supplier).
- 1.10 As per the contract with WYPF, the fee is based on a share of total costs in proportion to the Barnet Fund membership relative to the other shared service partners. This is generally presented back as a per member charge, which is the same for each shared service partner and for each category of membership.
- 1.11 Therefore, the costs will increase to the extent WYPF overall costs increase and/or the Barnet Fund proportion of membership increases relative to the other shared service partners.

1.12 The table below shows the increase in fees since November 2020:



The fees have increased significantly. The Barnet membership numbers have increased by c5% since November 2020.

1.13 We understand that the 2020/21 fee was based on an artificially low approximated membership number, which was “trued up” for the 2021/22 fee.

1.14 WYPF have advised that the reasons for the increases in their costs are due to:

- Staffing costs have increased as WYPF have become fully resourced.
- IT costs – WYPF have invested in updating their systems and servers.
- Pandemic – additional costs were incurred because of the pandemic and the requirement for WYPF to provide staff with the tools needed to work from home.
- Costs have also increased due to inflationary pressures.
- Costs in relation to the McCloud judgement.

1.15 We are broadly satisfied with the reasons given by WYPF but are concerned costs will continue to rise. WYPF have advised that they expect for costs to increase in line with inflation going forward.

1.16 We will continue to review and speak to WYPF regarding their fees.

### Annual Benefit Statements (ABS's)

1.17 The 2023 Annual Benefit Statements (ABSs) for active members and Deferred Benefit Statements (DBSs) for deferred members had a deadline for being produced and issued of 31 August 2023. At this date, **98.4%** of ABSs had been produced and **100%** of DBSs.

1.18 WYPF continue to work to get the remaining statements issued and as of 13 December, 99.2% of ABSs had been issued with 52 members still to receive a statement.

## Data Improvement Plan

- 1.19 WYPF continue to provide monthly data quality update reports to the Pensions Team showing progress in updating data issues. Initially, there were **c28,500** data items that needed to be reviewed and updated. As of 14 December, this number had reduced to **c6,850**.
- 1.20 WYPF had previously identified ten areas of data with the largest number of issues that need correcting and to date, two of the ten areas of data have been completed. The third area of data correction relating to members' Guaranteed Minimum Pensions (GMPs) is nearly complete and this will account for nearly 3,000 items of data that needs updating.
- 1.21 Following the completion of the GMP work, WYPF will then work on updating addresses and postcodes. This is likely to start in early 2024. There are c940 members where there is either an incorrect or no address held.
- 1.22 WYPF also provide updates on both common and conditional data scores. These figures show the presence of data held on members' records. Common data points are needed so that a member can be uniquely identified, such as date of birth and address. Conditional data is used to calculate the member benefits, such as salary and service information.
- 1.23 These data scores are a method for measuring quantity of data and are reported to The Pensions Regulator (TPR) in the Scheme Return. The TPR has targets for common data but not for conditional data.
- 1.24 The common data score for December 2023 was **96.3%** which is above the TPR target. For conditional data, the score was **87.3%**, which has increased significantly since the beginning of the year due to the two areas of data being completed. The target is to get this number to 90% or above by the end of next March at the latest, which is why the Pensions Team and WYPF are focussing on correcting the data issues still outstanding.
- 1.25 In recent Committee meetings, the Pensions team have discussed their investigations into the £50million data experience issue identified by the Fund Actuary in the 2022 valuation report. On further review, the Pensions Team have identified three potential scenarios as to cause of this issue and one of these scenarios will involve undertaking further analysis of the data. We will update the Committee of the results of this analysis and further considerations on how this issue is taken forward at the next Committee meeting.

## Historical Leavers

- 1.26 WYPF initially inherited **c1,500** "historic leavers". Following the work undertaken by WYPF in the 2021 Annual Benefit Statement (ABS) process, this number increased to **c1,950**.
- 1.27 As of 1 December, this number had reduced to **309**, of which **139** are leavers who left before 1 November 2020 when WYPF took over the administration of the Fund.
- 1.28 The Pensions Team are working with WYPF, employers and their payroll providers to get the remaining cases processed. These cases tend to be more complex and take longer to get the correct data before a leaver notification can be sent to WYPF.
- 1.29 The Pensions Team continue to work with the council's payroll provider to get the Council's historic leavers processed. The number has now reduced to **92** but these leavers tend to be more complex and are spending more time checking salary and service data before the forms can be submitted to WYPF.

## **Pensions Dashboard**

- 1.30 The Department for Work and Pensions (DWP) announced a delay to the Pensions Dashboard Programme in March, which was described as a “reset”.
- 1.31 The Government has set an ultimate deadline of 31 October 2026, and it has now been confirmed that proposed staging date for public service pension schemes will be **30 September 2025**.
- 1.32 The Pensions Team will continue to monitor and report back to the Committee at future meetings with any updates.

## **Finance Update**

- 1.33 Between April and November 2023, the fund has received **£36.7m** of contribution payments into the funds bank account.
- 1.34 The monthly contribution returns received from employers for the same period only total £36.6m, meaning that £0.1m of the contributions received relate to employers who have not submitted returns or have sent in returns which do not reconcile to the amounts received.
- 1.35 The Pensions Team continue to chase these employers to obtain missing or incomplete monthly returns.
- 1.36 For the contributions split is as follows:
- Employer Contributions – £28.0m
  - Employee Contributions - £7.2m
  - Employee Additional Contributions - £0.2m
  - Employer Deficit Contributions - £1.2m

## **Pension Fund Engagement Strategy**

- 1.37 The Pensions Team have drafted an updated version of the Fund’s Communication and Engagement Policy. This is included as Appendix A.
- 1.38 We would welcome feedback and the approval from the Committee on the revised Policy.
- 1.39 The “Pensions Myth Busting” session for Council staff that was previously going to take place in October has been postponed until January. Members of staff have provided topics that they would like covered and these will be incorporated within the presentation. Staff will also be able to book face to face sessions with the Pensions Team to discuss any personal pension issues or questions they may have.

## **2. Alternative Options Considered and Not Recommended**

- 2.1 Not applicable in the context of this report.

## **3. Post Decision Implementation**

- 3.1 Not applicable in the context of this report.

## **4. Corporate Priorities, Performance and Other Considerations**

### **Corporate Plan**

- 4.1 The Pension Fund Committee supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, by careful monitoring of the Pension Fund activities with a view to ensuring the overall sustainability of the Pension Fund.
- 4.2 Sustainability of the Pension Fund is a crucial pillar in allowing the council to fulfil its wider objectives.
- 4.3 The Pension Fund is also developing its NetZero and Stewardship policies which feed into the wider objectives around Planet, Places and People.

### **Corporate Performance / Outcome Measures**

- 4.4 Not applicable in the context of this report.

### **Sustainability**

- 4.5 Not applicable in the context of this report.

### **Corporate Parenting**

- 4.6 Not applicable in the context of this report.

### **Risk Management**

- 4.7 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

### **Insight**

- 4.8 Not applicable in the context of this report.

### **Social Value**

- 4.9 Not applicable in the context of this report.

## **5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)**

- 5.1 Risks that are not mitigated or managed can have a financial penalty to the Fund.

## **6. Legal Implications and Constitution References**

- 6.1 Government Guidance around the pooling requirements is linked in the body of this report.
- 6.2 Under the Council's Constitution Part 2B Section 15.1, the terms of reference for the Pension Fund Committee, the Committee is to have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including:-

- To ensure compliance with all Local Government Pension Scheme statutes, regulations, and best practice.
- To monitor the administration of the Pension Fund.
- To approve admissions agreements with any admission body.
- To consider recommendations from the Local Pension Board.
- To determine how the various administering authority
- To consider recommendations from the Local Pension Board.

## 7. Consultation

7.1 Not applicable in the context of this report.

## 8. Equalities and Diversity

- 8.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.
- 8.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The [Public Sector Equality Duty](#) requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

## 9. Background Papers

9.1 None