



PENSIONS BOARD

28 June 2022

SECOND DESPATCH

Please find enclosed the following items:

Item 1 Pension administration performance - To follow

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Resources Department
7 Newington Barrow Way
London, N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pensions Board

Date: 28th June 2022

Ward: n/a

Subject: PENSION ADMINISTRATION PERFORMANCE

1. **Synopsis**

- 1.1. This report provides the Board with information on the administration activities and performance of the Pension Administration. The information is in respect of the period from 1 February 2022 to 30 April 2022 and includes the number of LGPS members auto-enrolled into the scheme for this period.
- 1.2. The report also provides information regarding the Internal Dispute Resolution Procedure (IDRP), compliments and complaints.

2. **Recommendations**

- 2.1. To note the number of members' auto-enrolled into the LGPS during the relevant period.
- 2.2. To note the information in respect of the IDRP, compliments and complaints.
- 2.3. To review the performance data for the administration activities of the Council's Pensions Office.
- 2.4. To note the AVC guidance requirement introduced by the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2022 on the 1st June 2022.

- 2.5. To note the letter from Prudential (Appendix 1) in relation to its administration performance for Local Government AVC schemes.
- 2.6. To note the updated Pensions Risk Register (Appendix 2)

3. **Background**

- 3.1. The membership profile at 31 January 2022 and 30 April 2022 is shown in the following table.

Category	Jan-22	Apr-22
Number of current active members	6,685	6,599
Number of preserved benefits	8,344	8424
Number of Pensions in payment	6,358	6343
Number of Spouses/dependants pensions in payment	990	977
Total	22,377	22,343

There have been modest decline of 1.29% and 0.24% in the number of active members and pensioners respectively. Spouses and Dependants pension have also declined marginally by 1.31%. The number of deferred beneficiaries have increased by just under 1%.

- 3.2. Key performance indicators from 1 February to 30 April 2022:

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	43	95%	93.0%	6.0
Retirement benefits	5	61	95%	91.0%	7.0
Pension estimates	10	186	95%	82.0%	14.0
Preserved benefit calculations	15	53	95%	87.0%	17.0
Pension Payroll Adj.	10	44	95%	100.0%	9.0
Transfer-in quotation	10	31	95%	90.0%	12.0
Transfer-in actual	10	24	95%	89.0%	12.5
Transfer out actual	12.5	29	95%	92.0%	15.0
Transfer out quotation	15	36	95%	100.0%	14.0
All processes	-	572		86.0%	

- 3.3. Overall performance has seen an increase of 4% from the 82% achieved in the last quarter in completed processes within the target days.
- 3.4. Number of members auto-enrolled into the LGPS from February 2022 to April 2022:

Month	Starters No.	Opt Outs	Opt Outs %
February	38	4	10.5
March	32	1	3.1
April	68	0	0
Total	138	5	3.6

- 3.5. The Pension Office received -12- communications thanking Pension Administration staff for their service and -31- complaints. The majority of the complaints were in relation to auto-enrolment (i.e. staff being automatically enrolled into the pension scheme on the 1st May). One stage 2 Internal Dispute Resolution Procedure (IDRP) complaint was received in April 2022 in relation to the delay in processing a transfer out. Once these cases are resolved, a process is undertaken to review our actions and any lessons learned are shared within the team and procedures will be updated if appropriate.

Stronger Nudge to Pensions Guidance

- 3.6. Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance about DC pension options. On the 1st June 2022 the government introduced legislation to ensure that individuals are made aware of Pension Wise guidance as part of the application process for taking or transferring AVCs. The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 referred to as the 'Nudge Regulations' requires Scheme Administrators to book a Pension Wise appointment on behalf of the member.
- 3.6.1 The process also includes explaining to the member that the application process cannot proceed unless the member has attended the appointment or opted out of attending and confirmed this to the authority.

Prudential Update

- 3.7. Prudential have outlined in a letter to Pension Funds the current issues in relation to their administration performance for Local Government AVC schemes. These administration performance issues have delayed the year-end statements which

we have now received, but have not impacted on AVC payments to members this year. A copy of the letter is included as Appendix 1.

3.8 Pension Risk Register

Our current register is a live document reviewed regularly by the Board. Members requested at the March meeting that officers revise the format to align it with the council's corporate risk register. The revised risk register attached now outlines the pension fund objectives and risk arising from meeting these objectives. The issues covered are from operational to market risks and the level of risk to the fund and mitigation actions taken to lower risk levels and responsible persons. A copy of the current risk register Appendix 2 is attached that incorporates a traffic light model risk assessment. The risks that are considered of most urgent concern are red and amber. The Members are asked to consider the revised version and agree to review the register at least every six months.

4. Implications

4.1. Financial Implications

4.1.1. The cost of administering the LGPS is chargeable to the Pension Fund.

4.2. Legal Implications

4.2.1. There are no specific legal implications in this report.

4.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

4.3.1. None applicable to this report. Environmental implications will be included in each report to the Pension Board/Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910/ondonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

4.4. Equalities Impact Assessment

4.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of

opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

- 4.4.2. An Equalities Impact Assessment is not required in relation to this report, because there are no adverse impacts in terms of equalities arising from the contents of this report. The LGPS is a statutory public service pension scheme open to all Council employees.

5. Conclusion and reasons for recommendations

- 5.1. The report will be made to each meeting of the Pension Board and is provided in order to assess administration performance and dispute resolution. The pension risk register Appendix 2 is attached for review.

Appendices:

- Appendix 1- letter from Prudential
- Appendix 2 – pension risk register

Background papers:

Final report clearance:

Signed by:

Corporate Director of Resources

Date: Date the report received final approval

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Jo Donnelly
Head of Pensions
Local Government Association
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29th April 2022

Dear Jo

M&G plc administration delays for Local Government AVCs

Further to our meetings and discussions in relation to administration performance for Local Government AVC schemes, I have provided some explanations below on this specific areas we have discussed.

Acknowledgement of delays

In reference to our recent conversations and feedback received from you, M&G acknowledge that the service provided to Local Government AVC pension schemes and members has not been meeting expectations and requirements. M&G apologises that the service has not been what members would expect and is committed to the improvement of service to Administering Authorities, employers and scheme members.

Description of problems

In late 2020 M&G migrated to an established administration platform. The platform is designed to offer M&G corporate pension customers and members greater digital capability and online access to their policies.

The approach to processing of contributions paid by employers was enhanced to introduce more controls. Historically, M&G have provided manual assistance to ensure contribution listings and payments were processed quickly (for instance where the payment and contribution listing amounts did not agree).

The enhanced system controls require the contribution listings and payments to agree. As this was not always the case, there were delays in the processing of contributions while discrepancies were addressed.

Contributions are a key dependency for all other administration processes. As a result of the processing delays, there was a collateral effect on the rest of the service that was initially experienced through increased call waiting times and delays in the processing of quotes and claims.

At the same time, as a result of the pandemic, there were restrictions in place that required colleagues to work from home. This had the effect of reducing operational efficiency which would not have been the case if colleagues had been co-located.

Actions taken to improve service

As the administration delays and extended call waiting times became apparent, M&G have been operating a Service Recovery Operation. This has facilitated:

- Recruitment of additional staff into the administration and voice functions
- Dedicated staff working with employer payroll teams to resolve file disparities
- Provision of an escalation route for urgent claims and complaints
- A fast-track complaint resolution process
- Upskilling completed in Annuities and Pensions servicing
- Embedding of improved training processes
- Enhanced contingency plans being put in place from both a people and system perspective

Where there have been delays in the processing of benefits and contributions, M&G have ensured that no member has suffered financial detriment as a result of a delay caused by M&G. M&G assess each case on its own merit paying the member compensation, where appropriate.

Expected timescales for resumption of normal service

Call waiting times

- Staffing in our Voice teams was increased by c.50% since the deterioration in performance and the impacts of both Covid and system migration. Continued recruitment and upskilling continues on a monthly basis to deliver both further and future improvements in performance
- Telephone call abandonment rates and call wait times improved significantly through the second half of 2021 and early 2022. Unfortunately, more recently, the abandonment rate and call waiting times have increased. A recovery plan has been put in place to improve performance.

M&G aim to have abandonment rate of less than 5% with a call wait time of less than 2 minutes.

Customer Journeys (including Bereavements, Claims, New Business, Servicing)

M&G is now processing the large majority of core transactions (e.g. retirement claims, transfers, bereavements, contribution changes, fund switches and new member applications) within normal service levels.

Performance is measured on an end to end journey basis. This means that all activities are joined together and the customer journey time is calculated from the first point of contact to the point of closure where no other activity is required to deliver the customer outcome.

The target is for more than 95% of work to be completed within a set number of days depending on the specific work required. For example we aim to have all claims and bereavements processed within 5 working days of receiving all of the relevant documentation.

For the quarter to December 2021, for Local Government AVCs in England and Wales, 90.2% of work was completed within this target. M&G continue to focus on improving performance to this target.

Annual Benefit Statements and Scheme Revisions

As a consequence of the servicing delays outlined above, the production of the 2020 / 2021 annual scheme revision information and Annual Benefit Statements has been delayed. The majority of schemes received their annual benefit statements within the regulatory deadline. M&G is in contact with any schemes where information is yet to be issued. Detailed planning for the distribution of 2021/22 year scheme revision information and Annual Benefit Statements is underway and expected turnaround times will be confirmed to individual Administering Authorities.

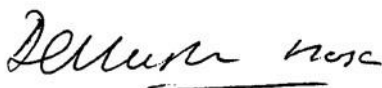
Scheme members can check the value of their AVC account through the online service. Members can login or register for the service at www.pru.co.uk/login

Existing AVC members can access additional support for any general enquiries through the AVC support team which is available Monday – Friday 8.30 - 6pm on 0800 6000 343. Secure messages can also be sent once you have registered for M&G online service.

The Pensions Regulator

M&G have continued to inform The Pensions Regulator about service performance and delays.

Yours sincerely



Alastair Hogg
Head of Corporate Pensions

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Islington Council

Pensions Risk Register 2022

The Pensions Risk Register outlines the key objectives of the Pension Fund and its administration; establishes the methodology for implementing proactive risk management to ensure the 'Fund' has sufficient assets to meet its pension liabilities.

The Pensions Risk Register is forward looking and under continuous review with relevant stakeholders to identifying potential problems and the tools needed to mitigate any obstacles that may endanger critical objectives.

The Pensions Risk Register sets out these risks and the risk matrix assesses the probability and impact.

Risk scoring guide

Likelihood ratings	Description	Example	Probability	
1	Rare	Very unlikely that this will ever happen.	1%	1 in 100
2	Unlikely	Expected to occur in only exceptional circumstances.	10%	1 in 10
3	Possible	Expected to occur in some circumstances. Has happened elsewhere.	20%	1 in 5
4	Likely	Expected to occur in many circumstances. Has happened in the past.	50%	1 in 2

Impact Score	Financial	Service Delivery	Reputation
5	Over £1M	Repeated disruption of a core/critical service	Long-term reputational damage
4	£500K - £1M	Major disruption to a critical service	Medium term reputational damage
3	£100K-£500K	System failure/Cyber attack	Adverse media coverage. Reputational damage
2	£10K - £100K	Disruption of service affecting multiple pension scheme members	Adverse local media coverage
1	£1K - £10K	Disruption of service affecting an individual	Unaffected

IMPACT	Rare	Unlikely	Possible	Likely	
5	5	10	15	20	
4	4	8	12	16	
3	3	6	9	12	
2	2	4	6	8	
1	1	2	3	4	
	1	2	3	4	LIKELIHOOD

Definition

Risk: An action or event that will affect the Pension Fund's ability to achieve it's objective

Assessing Risk

	Low
	Medium
	High

Date: 21/06/2022

No	Objective	RISK Identified	Cause	Consequence	Current Risk Score			Current controls in place to manage risk	Risk Evaluation (drop-down list)	Further actions to mitigate risks	Risk rating following mitigation	Target Date	Risk Owner
					Impact (1=Low, 5=High)	Likelihood (1=Low, 4=High)	Combined Score						
1	Strategy & Finance, People To grow membership and confidence in pension scheme administration.	Loss of data by administrator	Fire, flood, IT Breakdown, Cyber-attack. System failure.	Loss of sensitive data. Timely pension payments not made to members and third parties.	4	2	8	Business continuity plan. Daily & weekly backups kept offsite.	Treat	Disaster Recovery Plan. Moving servers to the cloud	6	Jul-23	Pensions Manager/Deputy Manager
		Member data incomplete or inaccurate	Incomplete dataset provided by payroll or third party agent	Leads to reputational damage/financial loss	2	4	8	Pro-active engagement with internal and external employers, school Business Managers and payroll providers.	Treat	Regular data Quality Auditing	4	Jul-22	Pensions Manager/Deputy Manager
		Poor administration of pension fund leads to complaints	Resourcing/inadequate training of staff	Strong dependency on key staff and failure to recruit.	2	4	8	Invest in staff, their development, workloads and review compensation.	Treat	Review complaints register and establish corrective actions	6	Sep-22	Head of Treasury & Pension Fund
		Internal Fraud	Inadequate internal fraud controls	Fraudulent activity resulting loss of benefits to fund members. Adverse impact on the Pension Fund.	4	1	4	Cross checking of work and the segregation of duties.	Treat	Internal & External Audits. National Fraud Initiative Exercise, NI Database check. Life certificates.	2	Sep-22	Head of Treasury & Pension Fund
		Failure to deduct accurate employee/employer contributions (Corporate Payroll)	Payroll calculation failure	Additional work to request and correct data. Financial Loss. Reputational damage	4	1	4	Monthly reconciliations.	Treat	Regular Data Contributions Audit	2	Jul-22	Head of Treasury & Pension Fund
		The late provision of payroll reports (Corporate Payroll)	Resourcing	Late issue of pension statements & govt. statutory returns.	5	2	10	Pro-active engagement with Payroll Manager and other relevant stakeholders	Treat	Establish self-service running reports	6	Oct-22	Pensions Manager/Deputy Manager
		Failure to apply correct Pensions Increase (Corporate Payroll)	Software design fault/training required	Inaccurate pension benefit calculations and reputational damage	5	3	15	Pro-active engagement with Payroll Manager and other relevant stakeholders	Treat	Early engagement with software suppliers to find a solution & test	12	Oct-22	Pensions Manager/Deputy Manager
		Failure to deduct accurate employee/employer contributions (External Payroll Providers)	Payroll calculation failure	Additional work to request and correct data. Financial Loss. Reputational damage	4	3	12	Monthly reconciliations.	Treat	Data Contributions Audit	8	Jul-22	Head of Treasury & Pension Fund
		The late provision of payroll reports (External Payroll Providers)	Ineffective planning	Late issue of pension statements & govt. statutory returns.	4	3	12	Pro-active engagement with external payroll provider and other relevant stakeholders	Treat	Establish self-service running reports	9	Oct-22	Pensions Manager/Deputy Manager
		Low take-up of pension scheme membership	Cost/Retirement Age/Personal Pension	Increased employer costs	4	2	8	Comms & website on the benefits of scheme membership. Pension surgeries.	Treat	Further promotion of the pension scheme. Auto-enrolment	4	Ongoing	Pensions Manager/Deputy Manager
		Remedies in relation to the mcloud judgement	Unlawful age discrimination.	Increased employer costs	4	3	12	To ensure the accurate re-calculation of pension benefits.	Treat	Report the final outcome to actuary	8	Jul-22	Pensions Manager/Deputy Manager
		Lack of understanding among scheme members of scheme issues/options	Limited awareness/Comms Deficit	Complaints/Opt-outs	2	3	6	Comms & website on the benefits of scheme membership 50/50 & AVCs. Pension surgeries on AA & LTA.	Treat	Work with HR to run surgeries on Wellbeing & pension planning. The annual pension statements will direct members to LBI's pension website for guidance notes and other information in relation to pension planning.	4	Oct-22	Pensions Manager/Deputy Manager
2	Contract Management To establish robust data security and to avoid system failure	Pension database may not be secure and appropriately maintained	Poor management/inadequate training	Service impairment and financial lost to the Pension Fund.	5	2	10	Electronic access control systems are deployed on Islington's network that rely on user credentials and authentication. Passwords are regularly changed and there are robust user administration procedures to access the pension's database. The system is regularly updated to ensure regulatory compliance with the LGPS and is protected against viruses and other types of malware.	Treat	Moving servers to the cloud	8	Jul-23	Pensions Manager/Digital Services

No	Objective	RISK Identified	Cause	Consequence	Current Risk Score			Current controls in place to manage risk	Risk Evaluation (drop-down list)	Further actions to mitigate risks	Risk rating following mitigation	Target Date	Risk Owner
					Impact (1=Low, 5=High)	Likelihood (1=Low, 4=High)	Combined Score						
3	Finance Strong Financial and contract Management	Loss of Investment returns	Market turbulence/Inflation	Reduction in asset market values.	5	3	15	Clear investment strategy, quarterly monitoring of managers' performance and a diversified portfolio	Treat	Managers are set 3 year + targets as long term investors. On appointment a terms of reference is agreed as a tool to monitor and identify scrutiny level.	10	Ongoing	Director of Finance/Pension Sub-Cttee
		Failure of non-public sector employers	Poor Management/Market Adjustments	Additional cost to the Pension fund.	4	3	12	Use of bonds and guarantees. Governance monitoring.	Treat	Triennial valuation process of determining contributions consults with employers to agree affordability and sustainability of the Fund	12 or 8	Ongoing	Head of Legal/Head of Treasury & Pension Fund
		AVC Providers failure to produce year-end SOA	Resourcing issues with AVC Providers	Late reporting of AVC funds, delay in year end fund closure.	4	4	16	Early engagement with AVC Providers.	Treat	Reporting any breach to the Pensions Regulator.	12	Sep-22	Pensions Manager/Deputy Manager
		Failure to sign off annual accounts and reports on time	Late information from 3rd parties	Qualified audit opinion	3	1	3	Early dialogue with external auditor.	Treat	Ensure internal audit work is complete.	1	Nov-22	Director of Finance/Head of Treasury & Pensions
		Employer failure to pay monthly contributions into scheme	Poor staff oversight by external body	Late receipt of contributions.	2	3	6	Monthly monitoring of contribution payments by Treasury & Pension Admin Staff	Treat	Regular quarterly Audits reviews.	4	Ongoing	Pensions Manager/Deputy Manager
4	Governance & Compliance Compliance with statutory regulations and guidance issued by TPR and LGA	Failure to interpret rules or legislation correctly	Poor management/inadequate training	Financial & reputational damage	4	2	8	Treasury and Pensions Admin review LGA, TPR and SAB website, other literature and have networking arrangements to ensure they remain up-to date. Membership of relevant professional groups ensures any potential changes in statutory requirements are properly implemented.	Treat	All staff go on relevant training courses at the LGA as appropriate to remain up-to date on Pension issues.	6	Sep-22	Pensions Manager/Deputy Manager
					3	2	6	Altair system calculation checks to ensure compliance with LGPS regulations.	Treat	Regular review of updates and patches.	4	Mar-23	
					3	2	6	Networking with key partners, Actuaries, Govt. LGA and TPR.	Treat	The Fund's Investment Advisors and Actuary provide briefings on new legislation and guidance on implementation. Auditors also test our process to ensure best practise	4	Ongoing	
		Conflicts of Interest	None disclosure/lack of transparency	Inability for Board member to participate.	2	2	4	All pension board members have completed educational material and training is ongoing	Treat	Conflicts document signed by all pension board members, recorded in conflicts register. Reminder, and any changes or additional conflicts, will be minuted at each pension board meeting.	2	Ongoing	Pension Board Chair/Democratic Services
		Insufficient knowledge and understanding by Pension Board Members.	Lack of knowledge and understanding by Pension Board Members.	Poorly informed for decision making	3	2	6	Members training plan, investment & legal advice	Treat	Re-appraisal of members skillset.	2	Dec-22	Pension Board Chair/Head of Treasury & Pension Fund
		Non-compliance with GDPR requirements	Poor data protection processes/inadequate staff training	Data protection breach and reputational damage.	3	3	9	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3rd parties. Use of secure portals to share information with key stakeholders, mandatory data protection training for staff.	Treat	Regular review of data protection polices.	6	Ongoing	Pensions Manager/Deputy Manager
5	Strategy & Finance Sustainable investment and climate actions	Non-compliance with Investment Strategy Statement	Investment managers fail to take adequate note of ESG risks	Investment in stranded assets. Adverse media coverage	4	2	8	Regular monitoring of Investment managers performance	Treat	The fund will monitor ESG risks annually and set targets to mitigate these risks.	6	Ongoing	Pension Sub-Cttee
6	Customer Outcomes & Quality Incorrect information in public domain including pension fund website	Non accurate information on information platforms.	Failure to update information platforms.	Adverse media coverage. Complaints which take up time to resolve. Compensation payments.	4	2	8	Prompt action to ensure data quality.	Treat	Quarterly review of data on information platforms.	6	Sep-22	Pensions Manager/Deputy Manager

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