



Pensions Committee

2.00pm, Wednesday, 17 March 2021

Operating Plan Update

1. Recommendations

The Pensions Committee (Committee) is requested to:

- 1.1 note progress of the Fund against the 2020-2021 Operating Plan, together with specific updates on:
 - performance indicators;
 - Pension Regulator standards and compliance; and
 - membership and cashflow monitoring.

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Operating Plan Update

2. Executive Summary

- 2.1 The purpose of this report is to provide an update on progress against the 2020–2021 Operating Plan, performance indicators and the actions to enable the Fund to meet its key objectives.
- 2.2 A bold and ambitious operating plan was set late in 2019 and achievement of the outcomes may take longer than first expected due to the disruption of the pandemic and prioritisation of member critical service delivery in the first half of the year. An underspend is projected for the financial year and overall progress is being made against the objectives for 2020/21.

3. Background

- 3.1 The 2020-2021 Operating Plan centres around six broadly defined strategic goals, each with more detailed objectives and accompanying targets and measures to allow us to monitor our progress and identify where interventions may be required. They are:
- Provide secure and affordable benefits for our members
 - Reduce complexity
 - Manage our risks
 - Create a place where people do great work
 - Influence the LGPS of the future
 - Be responsible
- 3.2 The Plan forms the basis of the work ahead of the Fund in 2020/21 and will be reviewed each year.

4. Main Report

- 4.1 Progress of particular note made against the Operating Plan since the last update to Committee is shown below.

Pensions Regulator standards and compliance

- 4.2 Performance indicators (shown later in this report) show compliance with the regulatory requirements for timely issuance of members' annual benefit statements and the receipt of employer contributions. Owing to the Covid-19 pandemic, the Pension Regulator sent out the Scheme returns later than usual in 2020. However, once we received the notification, the Fund completed the scheme return and submitted it on 11 December 2020.

Performance Indicators

- 4.3 Committee will recall there is a new range of performance set out in the Operating Plan 2020/21. These include a wider range of new measures as well as key indicators from previous years. The Appendix shows the quarterly key indicators. Seven of these are currently amber reflecting the increase in work for our Pensions Administration team during the Covid-19 pandemic and the changes in workload and practises this has brought about. Items of note include:

Pension Administration performance indicators

- 4.4 Four pensions administration indicators are amber, this includes notification of dependant benefits, acknowledgment of the death of a member to next of kin, providing transfer-in quotations and sending new members with scheme information. All other indicators are now on track.

Reasons for the amber ratings are summarised below:

- Notification of dependant benefits - mainly owing to some delays in receipt of supporting documents, this anticipated to be as a result of the pandemic. Dependants are unable to upload documents onto My Pension Online (this is restricted to the member only).
- Acknowledgement of the death of a member to next of kin – unfortunately, in the earlier part of the year, some delays in the issue of the initial letter to the next of kin arose owing to procedural oversight following a change of duties within the administration team. This has now been rectified.
- Providing transfer-in-quotations – normal practice is to treat transfer-in-quotes as medium, rather than high priority work. This is especially so during the pandemic where priority has been accorded to pensioner payments and death benefits. The Fund only accepts transfers in from the Public Sector Club therefore credit is broadly equivalent for the transferring scheme.
- Sending new members scheme information - employers who were not using the full i-Connect (data transfer portal) extract in 2020 had to provide a separate address file and often this was provided some days after the upload of the i-Connect monthly file. New start documents need the address for issuing. We are currently progressing the last of the employers onto the full extract where the address is supplied within the upload. There have been cases that due to investigation to ensure that these were genuine new starts and not duplicates or incorrect change of pension references the tasks remained open until resolved.
- General - the current staffing complement of the administration team now includes a significant proportion of Trainee Pensions Administrator posts, ten

in total. The resource commitment to provide suitable training, together with examination study should not be underestimated.

AVCs – administration delays

- 4.5 On 4 February 2021, LPF’s CEO wrote to his counterpart at one of LPF’s current AVC providers to express serious concerns with the firm’s performance in the administration of these services, specifically citing the long delays in the divestment and payment of funds to members. These delays have prevented the Fund from making payment of living income funds to its members, with the potential to result in hardship. At the time of writing, some progress had been reported with only five claims (payments to members) remaining outstanding, it being further anticipated by the AVC provider that these would be resolved shortly, with resumption of its usual administration service standards by the end of February. A verbal update will be provided.

Accreditation

- 4.6 Following the cancellation of the re-assessment of the Customer Service Excellence Standard Award in March 2020, the assessment took place digitally on 14 January 2021. The assessment covered key customer service provisions such as complaints, listening to customers and responding to feedback. The Fund was successfully re-assessed and gained two compliance plus for demonstrating best practise. The Committee will also remember that the accreditation for Pensions Administration Standards Association (PASA) took place in December and the Fund was successfully reaccredited at that time.

Freedom of Information (FOI) requests

- 4.7 Fund receives regular FOI requests and in 2020 responded to 26 that covered topics such as private market investments, shareholdings, travel and shareholder voting. These requests are resource intensive and where possible these queries are referred to the website for publicly available information.

Employers’ survey

- 4.8 The annual employer’s survey was held at the end of 2020. 38 responses were received this year and the key results were as follows:
- as for last year, 100% of the respondents either agreed or strongly agreed that the overall service provided by the fund was excellent; and

- the monthly employer bulletin continues to be well received with 100% (86% in 2019) satisfaction and the preferred method of communications for most.

4.9 Once again, the quality of information received from the Fund and the professionalism and attitude of our staff was praised.

Website

4.10 The Fund replaced its website with a new corporate and separate members site in December 2019 as the previous site was not accessible and would not meet Regulations being brought in during 2020.

4.11 The Fund is now looking to upgrade the site to enable functions such as forms, web chat and other facilities. A third-party contractor is being sought to assist with this development to ensure it meets current and future needs.

4.12 As reported in March 2020, payslips and P60s are available online in a printable and HMRC compliant format. Retired members signed up for the online service in February 2020 and members who retired since then have been viewing their information online since this initial roll out. We are extending the roll out to all members born before 1 January 1945 and under automatically being enrolled in the electronic option. The letter provides a form to allow members to opt out of the electronic option and continue to be posted their P60s and payslips in April and May. Members born after 1 January 1945 can register and use the online service, However, they are not automatically being opted in for enrolment to use the digital service.

4.13 Our online service has now been updated to allow deferred members to see and request payment of benefits or transfer to a new scheme. Further services are being developed and will be rolled out when available.

Pensioner members' survey

4.14 The annual pensioner survey was held in December with 170 members responding. The key results of those who responded are shown below.

- 98.95% agreed that overall they feel the service provided by the Fund is excellent;
- 96% felt the Fund was easy to contact; and
- 97% agreed that overall they feel satisfied with Penfriend newsletter

4.15 Comments ranged from those impressed by the efficient and friendly service to those who has some difficulty logging in.

The survey results are being analysed and an improvement plan developed using the comments and feedback from both surveys. This will enable actions to be taken to improve our services further.

Membership and Cashflow monitoring

- 4.16 Tables detailing the cashflows as at the end of December 2020 and projections for the financial year are shown in Appendix 2. These have been prepared on a cashflow basis (compared to the accruals basis of the year-end financial statements and budget projections).
- 4.17 For the last three years, Lothian Pension Fund has had a negative cash flow position, whereby pension payments exceed total contributions received. This is a trend that is likely to continue for the foreseeable future. Increased investment income has been targeted in recent years for this scenario, which is expected to exceed net cashflow for the long term.

5. Financial impact

- 5.1 A summary of the projected and year-to-date financial outturn compared to the approved budget for 2020/21 is shown in the table below:

Category	Approved Budget £'000	Projected Outturn £'000	Projected Variance £'000	Budget to date £'000	Actual to date £'000	Variance to date £'000
Employees	5,986	5,715	(271)	4,490	4,193	(297)
Transport & Premises	499	240	(259)	374	175	(199)
Supplies & Services	2,115	1,882	(233)	1,586	1,361	(225)
Investment Managers Fees	4,700	3,752	(948)	3,525	2,601	(924)
-Invoiced						
-Uninvoiced	18,700	18,700	-	14,025	14,025	-
Other Third-Party Payments	1,495	1,488	(7)	1,121	1,038	(83)
Central Support Costs	519	459	(60)	389	345	(44)
Depreciation	249	240	(9)	187	178	(9)
Gross Expenditure	34,263	32,476	(1,787)	25,697	23,915	(1,782)
Income	(2,342)	(1,856)	486	(1,757)	(1,251)	506

Total Cost to the Funds	31,921	30,620	(1,301)	23,941	22,664	(1,277)
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- 5.2 The financial outturn includes year to date budget, actual expenditure and variance as at the end of December 2020. Year to date actual expenditure includes provision for services incurred but for which no invoice has yet been received.
- 5.3 The projection shows an underspend of approximately £1,301k. The key variances against budget are:
- *Employees* – £271k underspend. A small number of posts have been held vacant. This, together with the timing of recruitment, including replacements, has resulted in a projected underspending.
 - *Transport and Premises* – £259k underspend. The Fund has postponed its move into new premises and plans to reassess the position next year. In the meantime, the current office has been refurbished to comply with social distancing requirements, which will also improve any future marketing potential for the unit.
 - *Supplies & Services* - £233k underspend. A majority of underspend is in relation to system costs. Underspends are expected against budget for investment systems, while the roll out of a secure document management/governance portal has been delayed to after the transition of IT provider.
 - *Investment Management Fees (Invoiced)* - £948k underspend. Charges on external managed portfolios are based on market values. Over the financial year the Fund has taken approximately £200m of externally managed funds under internal management.
 - *Income* – £486k below budget. Income in relation to collaborative partners is based on a cost sharing mechanism. Due to underspend against budget, in particular against property costs, as well as the lower than expected deal flow in relation to collaborative investments, income is expected to be below original forecast. There is currently a significant uptick in deal-flow which will feed into the figures by the close of the financial year.
 - Uninvoiced expenditure (i.e. investment management costs deducted from capital) is assumed to be in-line with budget. There has been no change to the investment strategy for the period, on which the budgeted figures are based. The Fund continues its efforts to enhance the monitoring of these fees and is working with managers to improve the transparency of these charges.

6. Stakeholder/Regulatory Impact

- 6.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the Fund and they are invited to comment on the relevant matters at Committee meetings.

7. Background reading/external references

- 7.1 [LPF Operating Plan 2020/21](#)

8. Appendices

Appendix 1 – Operating Plan Performance Indicators and Forecast Cashflow

Operating Plan Update

Pensions Committee

17 March 2021

Appendix 1

Operating Plan Performance Indicators – Targets & Actual Performance 2020/21

	Q1 April to June	Q2 July to Sept	Q3 Oct to Dec	Target	Status
Maintain Customer Service Excellence Standard	Retained			Retain CSE Award	✓
Maintain Pensions Administration Standards Association (PASA) accreditation.	Retained			Retain PASA accreditation	✓
Overall satisfaction of employers, active members and pensions measured by surveys	Rolling 12-month performance to end December 2020 is 95.9%			>90%	✓
Proportion of active members receiving a benefit statement and time of year statement is issued	Met			100% issued by 31 August 2020	✓
Proportion of critical pensions administration work completed within standards (PA1)	96.74%	94.71%	98.28% (year to date 96.57%)	>92%	✓
Acknowledge the death of a member to next of kin within 5 working days. (PA2)	97.16%	86.06%	95.02% (Year to date 93.58%)	96%	⚠
Estimate requested by employer of retirement benefits within 10 working days. (PA3)	100%	100%	98.57% (Year to date 99.39%)	91%	✓
Notification of dependant benefits within 5 working days of receiving all necessary paperwork. (PA4)	91.19%	92.22%	99.02% (Year to date 93.30%)	96%	⚠
Notify early leavers entitled to deferred benefits of their rights and options within 10 days of being informed of end of pensionable service. (PA5)	99.16%	99.51%	100% (Year to date 99.38%)	91%	✓
Notify members holding more than 3 months, but less than 2 year service, of their options at leaving. Target is within 10 days of the end of the one month and a day lying period or after the employer providing full leaving information if later.(PA6)	89.03%	88.86%	81.4% (Year to date 86.67)	85%	✓
Pay a refund of contributions within 7 working days of receiving the completed declaration and bank detail form. (PA7)	97.37%	99.55%	100% (Year to date 99.20%)	91%	✓

	Q1 April to June	Q2 July to Sept	Q3 Oct to Dec	Target	Status
Pay any lump sum death grant within 7 working days of receipt of the appropriate documentation. (PA8)	99.04%	99.55%	98.41% (Year to date 99.16%)	96%	✓
Pay lump sum retirement grant within 7 working days of receiving all the information we need from the member. (PA9)	98.17%	98.73%	98.77% (Year to date 98.53%)	96%	✓
Payment of CETV within 20 working days of receiving all completed transfer out forms. (PA10)	98.00%	96.67%	96.67% (Year to date 97.48%)	96%	✓
Pension Admin Workflow - Non Key Procedures Performance. (PA11)	82.18%	72.90%	79.41% (Year to date 77.21%)	75%	✓
Provide a maximum of one guaranteed Cash Equivalent Transfer Value (CETV) within 10 working days of receiving a request. (PA12)	90.37%	90.09%	98.73% (year to date 92.51%)	91%	✓
Provide new members with scheme information within 20 working days of getting details from employer (PA13)	99.87%	92.05%	99.79 (Year to date 98.10%)	100%	⚠
Provide transfer-in quote within 10 working days of receiving the Cash Equivalent Transfer Value (CETV) from member's previous pension provider. (PA14)	70.00%	91.67%	81.82% (Year to date 82.35%)	96%	⚠
Investigate and respond to a complaint - within 20 working days (PA15)	100.00%	100.00%	100% (Year to date 100%)	96%	✓
Audit of annual report 2020	Met			Unqualified opinion	✓
Percentage of employer contributions paid within 19 days of month end	99.63%	99.60%	99.9%	99.00%	✓
Data quality – compliance with best practice as defined by the Pensions Regulator	Met			Fully compliant	✓
Monthly Pension Payroll paid on time (Service1)	100.00%	100.00%	100.00%	Yes	✓
Level of sickness absence (Service4)	1.18%	1.4%	1.13%	4%	✓
Proportion of staff engaged as measured in the Staff Engagement Survey	73%			70%	✓
Percentage of staff that have completed two days training per year.	on track	59%	75%	100%	⚠

Service Plan Membership and Cashflow Monitoring 2020/21

Lothian Pension Fund	2020/21 YTD	2020/21 Projected
Income	£'000	£'000
Contributions from Employers	130,498	191,000
Contributions from Employees	38,062	50,750
Transfers from Other Schemes*	3,069	5,500
	171,629	247,250
Expenditure		
Pension Payments	(140,171)	(188,000)
Lump Sum Retirement Payments	(37,491)	(58,000)
Refunds to Members Leaving Service	(448)	(550)
Transfers to Other Schemes	(6,176)	(9,000)
Administrative expenses	(1,950)	(2,600)
	(186,236)	(258,150)
Net Additions/(Deductions) From Dealings with Members	(14,607)	(10,900)

**Excludes asset transfer of Visit Scotland. The Funds' Actuary is in the process of calculating transfer value due for 31st March 2021.*

Scottish Homes Pension Fund	2020/21 YTD	2020/21 Projected
Income	£'000	£'000
Administration charge	70	70
Expenditure		
Pension Payments	(5,003)	(6,720)
Lump Sum Retirement Payments	(508)	(750)
Transfers to Other Schemes	-	(100)
Administrative expenses	(53)	(70)
	(5,564)	(7,640)
Net Additions/(Deductions) From Dealings with Members	(5,494)	(7,570)

