

Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 29 July 2021

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Subject: Prudential AVC Plan

Summary statement:

Prudential are one of West Yorkshire Pension Fund's Additional Voluntary Contribution Providers

Prudential implemented a new system late last year and this has resulted in delays in allocating member's contributions, which has subsequently caused delays in dealing with claims. This report provides the Joint Advisory Group with an update on the issue.

Recommendations:

It is recommended that the Joint Advisory Group note this report.

Rodney Barton
Director

Report Contact: Tracy Weaver
Phone: (01274) 433571
E-mail: tracy.weaver@wypf.org.uk



1. Background

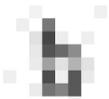
- 1.1 In July 2018 Prudential transferred policy administration platform from Capita to Diligenta.
- 1.2 Aon reported in June 2020, as part of its Annual Review Report, that Prudential had experienced some issues during the transition but was not aware of any issues for WYPF's AVC arrangement. Aon over the long term expected this change to provide significant improvements in technology and reduce manual processes, as well as providing members with better online access to their AVC policy.

2. New Administration System

- 2.1 As part of the transfer to Diligenta Prudential late last year implemented a new administration system which has resulted in delays in AVC contributions being allocated to member's accounts. This has also resulted in WYPF experiencing delays in getting settlement amounts paid to us where members have retired, thus impacting on our ability to pay pension benefits in a timely manner.
- 2.2 WYPF raised the issue with Prudential and it told us that "The processing delays have been caused in part by the implementation of a new system that has taken additional time to embed within our processes. This has had an impact on applying contributions to member's policies therefore delaying claims. The impact of Covid and the majority of colleagues working from home following the latest lockdown has also affected our productivity and recovery plans."
- 2.3 Prudential informed us that it had a recovery plan in place and were on target to clear all outstanding cash and claims by middle of April. By the end of May the issues had still not been satisfactorily resolved and Prudential informed WYPF that whilst it has not met the initial target date for recovery it was making good progress in clearing the outstanding claims and had introduced a number of measures to get back on track.

The key measures introduced include:

- Weekend and overtime working.
 - Recruitment of 50 full time colleagues into service function, the majority of whom were to be focused on claims.
 - Recruitment of 79 full time colleagues into the voice area to deal with the unprecedented increase it had seen in call volumes.
- 2.4 On 11 June 2021 Prudential provided a further update. It said it was working through its service recovery plan, which aims to bring its service levels back to normal and provide WYPF and our members with the quality of support they deserve. It also said that as a consequence of the service delays, unfortunately, there would be a timing impact on the production of the annual scheme revision information and Annual Benefit Statements. The provision of WYPF's annual scheme revision information is expected to be at least 8



weeks later than usual (see Appendix A).

3. Impact on Members

- 3.1 Prudential have confirmed that any delay in the processing of contributions will not affect their AVC monies. Contributions will be backdated to the original date that they were received by them. The delays may mean that members cannot see an up to date figure when they log in their Prudential online account. This will be resolved when contributions are processed. Their contributions have not been lost and will be processed as quickly as possible by Prudential.
- 3.2 Prudential have also had delays in issuing claims but have provided reassurance that claims will be paid and there is no problem with their ability to pay. However, the delays do mean that members have had to wait longer for their retirement or transfer claim to be completed.
- 3.3 The issue of Annual Benefit Statements by Prudential will be delayed by at least 8 weeks.
- 3.4 WYPF have received a number of complaints from members unhappy with the situation and these have been escalated to senior management at Prudential.

4. Actions

- 4.1 WYPF are monitoring outstanding retirement claims and regularly contacting Prudential to chase up urgent cases. So that members do not encounter undue hardship because of the delay in receiving their AVC fund value, we make advanced payments of their retirement lump sums. However, monthly pensions are not paid to avoid any tax implications if members crystallise their pension benefits.
- 4.2 As a result of WYPF's concerns we have submitted a breach report to the Pensions Regulator. Prudential has also reported itself to the Pensioners Regulator.
- 4.3 The issues with Prudential have been discussed at a regional level, through Pensions Officer Forum Groups, and at a national level through the National LGPS Technical Group.
- 4.4 As a result, a number of other Funds have reported Prudential to the Pensions Regulator and the Financial Conduct Authority (FCA).
- 4.5 Due to the delay in Prudential providing the scheme annual revision information, the annual AVC review report will be provided at the January 2022 JAG meeting.

5. Recommendations

- 5.1 It is recommended that the Joint Advisory Group note this report.



