

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Panel:	Pension Fund Panel and Board
Date:	24 July 2020
Title:	Governance: Administration performance update
Report From:	Director of Corporate Resources

Contact name: Lois Downer, Deputy Head of Pension Services

Tel: 0370 779 4396 **Email:** lois.downer@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to update the Panel and Board on administration performance for 2019/20, and to seek approval for a project to trace members for whom no current address is held.

Recommendation(s)

2. It is recommended that the Panel and Board:
 - note the strong performance of Pension Services in 2019/20
 - note the concerns raised over employers who have not provided returns, or whose returns are inaccurate
 - approve the additional spend to carry out an address tracing exercise, and delegate authority for variation to this spend to the Director of Corporate Resources.

Executive Summary

3. Pension Services have performed well against the four key measures of good administration in 2019/20. The team has been able to maintain its service despite the Covid-19 situation.
4. There has been an impact of Covid-19 for a small number of employers, affecting their ability to pay contributions over to the Fund and provide information on their employees.

5. A major employer has failed to provide information by the statutory deadline and this may impact on the ability for the pensions team to produce annual benefit statements for these employees by 31 August.
6. Improvements to the Member Portal have made it viable to carry out a one off exercise to trace members for whom no current address is held. This exercise would improve the performance against the Pension Regulator's common data scores.

Administration performance

7. As at 31 March 2020, there were 342 active employers paying into the Hampshire Pension Fund, and a total of 178,539 members. The table below provides a detailed breakdown of the membership by employer type:

Employer Type	Employers	Member type		
		Active members	Deferred members	Pensioner members
Scheduled	180	57,296	73,730	41,062
Resolution	59	296	191	208
Admitted	66	1,155	1,053	1,081
Community admitted	15	71	323	359
Transferee admitted	22	95	277	228
Active employers total	342	58,913	75,574	42,938
Councillors (no active members)	10	0	94	128
Ceased (no active members)	52	0	252	640
Grand total	404	58,913	75,920	43,706

8. Pensions Services administer the Hampshire LGPS and have performed well against the four key measures of good administration in 2019/20:
 - Cost per member
 - Internal and external audit
 - Customer Service Excellence
 - Performance against service standards

These are covered in more detail in the following sections of this report.

Cost per member

9. One of the key external measures of administration performance is cost per member. The 2019/20 administration cost per member was £12.30 (the comparative cost per member for 2018/19 was £12.11, excluding the costs of the GMP reconciliation exercise).

10. Comparative costs for all LGPS Funds are reported annually in the Sf3 return, and Hampshire is always reasonable for the size of the Fund. The latest available Sf3 data is for 2018/19 on which Hampshire was the 5th largest Fund by membership and, at £17.75, had the second lowest combined administration and governance cost per member out of the 89 English and Welsh Funds. The average cost per member across all Funds was £32.67.

Audit reports

11. The annual internal audit opinion for Pensions has been presented to the Panel and Board in a separate report. Pensions have received good reports during the year with substantial assurance given for the annual pensions payroll, deaths, transfers and accounting for pension receipt reviews. There were no formal action plans required for the administration of LGPS pensions.

Customer Service Excellence

12. Pensions Services comply with the requirements for the national standard for excellence in customer service (CSE), which considers how the service delivers against over 50 criteria in five key areas:
 - Customer insight
 - Culture of the organisation
 - Information and access
 - Delivery
 - Timeliness and quality of service
13. Pensions Services have held the Customer Service Excellence (CSE) standard since 2009, and retained the award following an interim assessment in April 2020, with compliance plus passes in nine areas (up from seven areas in 2019):
 - We use reliable and accurate methods to measure customer satisfaction on a regular basis.
 - There is corporate commitment to putting the customer at the heart of service delivery and leaders in our organisation actively support this and advocate for customers.
 - We empower and encourage all employees to actively promote and participate in the customer focused culture of our organisation.
 - We can demonstrate our commitment to developing and delivering customer focussed services through our recruitment, training and development policies for staff.

- We can demonstrate how customer-facing staffs' insight and experience is incorporated into internal processes, policy development and service planning.
- We have challenging standards for our main services, which take account of our responsibility for delivery of national and statutory standards and targets.
- We make our services easily accessible to all customers, through the provision of a range of alternative channels.
- We monitor and meet our standards, key departmental and performance targets, and we tell our customers about our performance.
- We identify any dips in performance against our standards and explain these to customers, together with action we are taking to put things right and prevent further recurrence.

Performance against service standards (KPIs)

14. The KPIs for Pensions evidence the good performance in 2019/20. As reported to the Panel and Board in December 2019, performance against service standards dipped following the go-live of the new administration partnership with West Sussex in April 2019. Unfortunately there were ten interfund transfer cases which were not completed on time in quarter 3. The team recovered its position of 100% achievement against the service standards for the final quarter of 2019/20 and has continued to achieve 100% in the first quarter of 2020/21.
15. The tables below show the performance for the second two quarters of 2019/20. All casework was measured against a 15 day standard, apart from re-joiners which have a 20 day standard, and deferred benefits which have a 30 day standard.

Q3

Type of Case	Time to Complete (days)						Total	% completed on time
	0 – 5	6 – 10	11 - 15	16 – 20	21 – 30	31 - 40		
Active Retirement	84	79	65	0	0	0	228	100.00%
Deferred Retirement	93	178	181	0	0	0	452	100.00%
Estimates	120	187	357	0	0	0	664	100.00%
Deferred Benefits	59	25	89	147	1948	0	2,268	100.00%
Transfers In & Out	79	10	61	0	0	0	150	100.00%
Divorce	40	47	37	0	0	0	124	100.00%
Refunds	314	102	0	0	0	0	416	100.00%
Rejoinders	18	41	76	33	0	0	168	100.00%
Interfunds	31	15	89	0	4	6	145	93.10%
Death Benefits	174	30	45	0	0	0	249	100.00%
Grand Total	1,012	714	1,000	180	1,952	6	4,864	99.31%

Q4

Type of Case	Time to Complete (days)						Total	% completed on time
	0 – 5	6 – 10	11 - 15	16 – 20	21 – 30	31 - 40		
Active Retirement	102	69	48	0	0	0	219	100.00%
Deferred Retirement	75	84	146	0	0	0	305	100.00%
Estimates	198	308	209	0	0	0	715	100.00%
Deferred Benefits	50	17	78	209	1171	0	1,525	100.00%
Transfers In & Out	51	24	29	0	0	0	104	100.00%
Divorce	44	36	15	0	0	0	95	100.00%
Refunds	248	27	8	0	0	0	283	100.00%
Rejoinders	47	54	34	8	0	0	143	100.00%
Interfunds	73	52	35	0	0	0	160	100.00%
Death Benefits	195	35	59	0	0	0	289	100.00%
Grand Total	1,083	706	661	217	1,171	0	3,838	100.00%

16. The performance for 2019/20 is summarised in the table below.

Area of work	Service standard	Number of cases	% cases completed against service standard			
			Q1	Q2	Q3	Q4
			%	%	%	%
Retirement	15 days	977	99.55	100	100	100
Deferred Retirement	15 days	1,635	98.67	100	100	100
Estimate	15 days	2,747	92.43	100	100	100
Deferred	30 days	6,509	90.50	99.50	100	100
Transfers In and Out	15 days	399	71.21	94.94	100	100
Divorce	15 days	409	65.26	97.89	100	100
Refund	15 days	1,338	100	100	100	100
Rejoinders	20 days	625	91.95	100	100	100
Interfunds	15 days	462	63.38	94.19	93.10	100
Death benefits	15 days	949	95.92	100	100	100

17. A total of 2,462 Scheme members retired during 2019/20, with an average retirement age of 62 years. Of this number, 1,350 (or 54.8%) took some form

of early retirement including 91 ill health retirements and 1,079 members choosing to take a reduced pension.

18. The average annual pension paid in 2019/20 was £5,038 (£5,023 in 2018/19).
19. The annual exercise to apply the statutory pensions increase to pensions in payment and deferred payments was completed as planned. Deferred annual benefit statements have been produced for the majority of members in June, ahead of the statutory deadline of 31 August. There are only 28 deferred members for whom a statement is still outstanding and it is anticipated that all of these will be cleared well ahead of the deadline.

Impact of Covid-19

20. All pensions staff are working remotely from home during the Covid-19 situation, and there has been no impact on performance against service standards. An MS Teams solution has allowed the call centre team to continue operating the normal contact number but members have been asked to email where possible to leave lines clear for those without internet access. Consequently call volumes are approximately 30% of normal levels.
21. Three members of staff are going into the office twice a week to collect and scan post and to print and send letters where no email address is held for a member. The annual pensioner payslips, newsletters and P60s are printed and dispatched by an external mailing house, and this exercise was not impacted by lockdown. However further opportunities to reduce paper and encourage online access to information are being explored. In addition, a decision to delay the annual overseas mortality screening exercise has been taken as members are asked to provide a certificate signed by an unrelated person which may be more difficult for members to achieve in the current circumstances. The risk of delaying this exercise is that pensions may continue to be paid after death, although in most cases any overpayment is recovered (see paragraph 36).
22. Covid-19 has impacted some employers, particularly those who have had to furlough staff. Covid-19 has impacted on the financial viability of one employer who participates as an admission body (see paragraph 23). In addition, a higher than usual number of annual returns have been received after the deadline (see paragraphs 26 to 29 below).

Timeliness of contributions

23. All employer contributions due for 2019/20 have been received, with the exception of one admitted body who has not paid for March 2020. This employer has catering contracts with three schools and has now made the

Fund aware that they are likely to enter insolvency. A formal letter has been sent to the employer, setting out its obligations under the regulations. Officers are working with the schools which let the contracts and the guarantor has been notified that there is likely to be a call on its guarantee. The outstanding contributions at the end of June 2020 were £2,900.

24. A total of £3.845m was paid late (£3.203m in 2018/19) which was 1.13% of the total contributions received. The average delay on all late payments received during 2019/20 was 11 days (11 days in 2018/19). Receipt of contributions is reviewed monthly to determine if any action is required. No late payment interest was charged for 2019/20.
25. One employer approached the Fund with an enquiry about deferring contributions because of the Covid-19 situation, but decided to take no further action and has paid in full and on time.

Annual returns

26. Employers are required to provide an annual return by 30 April containing details of all employees who contributed during the year. Full details of employer performance against the annual return process is reported to the Panel and Board as part of the December administration update, after the exercise has been completed.
27. Whilst the majority of employers provide their returns on time, there are usually one or two returns which are received more than a month after the deadline. This year there were 11 returns received in June, covering 103 members. The main cause of these delays was the effect of Covid-19, as many of the organisations had furloughed their staff. These returns have now been received and uploaded.
28. Of more significant concern is Southampton City Council (SCC), which failed to provide a return by either the 30 April deadline, or its own anticipated deadline of 30 June, affecting 3,076 members. A return was received on 1 July but was not of sufficient quality to upload. A material number of queries on a separate return, covering 927 employees working in SCC maintained schools, also remain outstanding. It is increasingly unlikely that it will be possible to produce annual benefit statements for SCC members by the statutory deadline of 31 August. If this is the case, members will instead be given a letter explaining that a statement could not be produced as a result of SCC failing in its obligations to provide timely and accurate information to the Fund.
29. These matters have been escalated to the Chief Executive at SCC, with SCC formally now in special measures. In addition to resolving the outstanding issues with the annual returns, SCC will have to undertake a half year

reconciliation for 2020/21 as at 30 September as well as then providing monthly payroll reports of starters and leavers from October 2020 onwards. All administration costs incurred by the pensions team will be recharged directly to SCC. These matters will also be raised informally with the Pensions Regulator to discuss if further action, such as a formal breach report, should be taken.

Member Portal and address tracing

30. Work has continued in the year to improve the Member Portal, with the aim of this being the primary way in which members can engage with their pension information. There were 44,443 members registered on the Member Portal by 31 March 2020. From 1 April to 30 June 2020 there have been a further 3,788 registrations, bringing the total to 48,231. This increase is in part because emails have been sent out to notify deferred members that their annual benefit statements are available to view but also because of the change to the starter process described in paragraph 31 below.
31. From April 2020, new starters have received a welcome email which asks them to register for the Portal rather than being sent a letter enclosing a membership option form. It is planned that by the end of 2020/21, members who are retiring will receive their information through the Portal rather than by post.
32. It is now possible for members to run their own estimates via the Portal. This functionality is available for active and deferred members, for estimates between age 55 and 75 (i.e. early, late or normal retirements). Estimates for employer related retirements (i.e. ill health and redundancy) will continue to require an employer request to the team.
33. It was reported to the Panel and Board in December 2019 that there were a significant number of members for whom no address details are held and that this impacted the common data score reported to the Pension Regulator (tPR). There are currently 6,162 members with deferred benefits and 2,016 members who have a frozen refund for whom no current address is held. Members are traced on a case by case basis prior to age 75 (by which time benefits have to be paid) but it has not been considered worthwhile tracing younger members as it might be a further 30 years before their benefits would become payable during which time it is likely they would move again. With the improvements to the Member Portal, a one off project to trace them and request them to register is now viable as members now have the tools to update their address easily online. It is anticipated that this exercise would

improve the Fund's position against the tPR scores, and therefore should be carried out in advance of the scheme return due in November.

34. The tracing exercise would be carried out by a professional tracing service who will identify the new address and send out letters to request members register and provide their email address to the Fund. The costs of the exercise will depend on how easily members can be traced. The tracing company carry out a three stage process, the last of which is a manual search at a cost of £20 per trace. The automated tracing is likely to be successful for around 65% of cases, for a cost of around £25,000. The manual trace is charged on a no trace no fee basis and is likely to provide addresses for a further 1,700 members at a cost of £35,000.
35. The Panel and Board are asked to approve this additional spend of up to £60,000, and delegate authority to the Director of Corporate Resources for approval of any variation.

Mortality screening and National Fraud Initiative

36. Pension Services run a monthly mortality screen to ensure that all deaths are reported promptly to the Fund and to minimise overpayments of pension. Overpayments are recovered by the Fund by invoice to the estate, or, with permission from the beneficiary, from a death grant or dependant pension. The table below shows the breakdown of how overpayments were recovered by the Fund.

Recovered From	Number	Total value
Death Grant	73	£30,946.27
Dependant Pension	198	£99,219.68
Invoice	315	£137,491.55
Write Off	89	£3,464.83
Total	675	£271,122.33

37. The Fund also participates in the bi-annual National Fraud Initiative (NFI). The 2019 NFI exercise identified four deaths with a total potential recovery of £31,748.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes/no
People in Hampshire live safe, healthy and independent lives:	yes/no
People in Hampshire enjoy a rich and diverse environment:	yes/no
People in Hampshire enjoy being part of strong, inclusive communities:	yes/no
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because the Pension Fund Panel and Board need to approve an additional spend to fulfil requirements set by the Pensions Regulator.	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the information in this report as it affects all scheme members.