

HAMPSHIRE COUNTY COUNCIL

Report

Decision Panel:	Pension Fund Panel and Board
Date:	10 December 2021
Title:	Governance: Administration performance update
Report From:	Director of Corporate Operations

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Purpose of this Report

1. The purpose of this report is to update the Panel and Board on pension administration performance in the first six months of 2021/22.

Recommendation(s)

2. That the Panel and Board note the strong performance of Pension Services and Scheme Employers so far in 2021/22.
3. That the Panel and Board note the update on other administrative issues.

Executive Summary

4. In the first six months of 2021/22 Pension Services have:
 - continued to meet service standards for all casework, as well as produce annual benefit statements for almost 100% of active and 100% of deferred members
 - demonstrated an improvement in both the common and conditional data scores which are reported annually to the Pension Regulator
 - continued the implementation of the McCloud remedy, primarily focussed on data collection from Scheme Employers
 - delivered the planned improvements to the pension system and agreed the next two year roadmap of development work with Civica

Employers have also continued to improve the quality and timeliness of the data they provide to Pension Services.

5. In addition to providing the administration for the Hampshire Pension Fund, Pension Services also provide this service to external Partners. Two new partners, the London Borough of Hillingdon and Westminster City Council have gone live with pensions administration in 2021/22.

Covid-19

6. As reported to the Pension Fund Panel and Board in July 2021, administration work has continued to be unaffected by the Covid-19 pandemic. From September 2021, the teams have been back in the office for one day a week (split over two days due to the availability of accommodation). The senior management team, and some staff with a preference for more regular attendance in the office, are coming into the office on both days. Working face to face on a regular basis has had a positive impact on team morale and working relationships between teams.
7. The arrangements are due to be reviewed over the next couple of months to ensure they remain appropriate. The arrangements are subject to the government's position on home working and all staff will revert to full time working from home if the advice should change as part of the government's Plan B.

Administration performance

8. Administration performance against key service standards is measured each month, with a target of 100% achievement within the agreed standards. All casework is measured against a 15 day standard, with the exception of deferred benefits which have a 30 day standard.
9. Pension Services have continued to deliver 100% achievement against all standards. Performance for the first two quarters of 2021/22 is shown in the tables below.

Key casework completed in quarter 1 2021/22

Type of Case	Time to Complete						Total	% completed on time
	0 – 5 days	6 – 10 days	11 -15 days	16 – 20 days	21 – 30 days	31+ days		
Active Retirement	91	67	73	0	0	0	231	100.00%
Deferred Retirement	53	93	202	0	0	0	348	100.00%
Estimates	90	166	737	0	0	0	993	100.00%
Deferred Benefits	57	7	13	75	864	0	1,016	100.00%
Transfers In & Out	18	15	46	0	0	0	79	100.00%
Divorce	3	14	66	0	0	0	83	100.00%
Refunds	151	53	1	0	0	0	205	100.00%
Rejoinders	22	26	71	3	0	0	122	100.00%
Interfunds	33	16	104	0	0	0	153	100.00%
Death Benefits	180	39	31	0	0	0	250	100.00%
Grand Total	698	496	1,344	78	864	0	3,480	100.00%

Key casework completed in quarter 2 2021/22

Type of Case	Time to Complete						Total	% completed on time
	0 – 5 days	6 – 10 days	11 -15 days	16 – 20 days	21 – 30 days	31+ days		
Active Retirement	104	54	246	0	0	0	404	100.00%
Deferred Retirement	79	94	413	0	0	0	586	100.00%
Estimates	62	94	1,133	0	0	0	1,289	100.00%
Deferred Benefits	67	32	117	229	1,278	0	1,723	100.00%
Transfers In & Out	23	11	63	0	0	0	97	100.00%
Divorce	5	10	112	0	0	0	127	100.00%
Refunds	208	117	2	0	0	0	327	100.00%
Rejoinders	20	25	78	1	0	0	124	100.00%
Interfunds	11	17	73	0	0	0	101	100.00%
Death Benefits	161	35	51	0	0	0	247	100.00%
Grand Total	740	489	2,288	230	1,278	0	5,025	100.00%

10. The team have continued to respond to a significant number of member queries received by phone and email, answering just under 14,000 calls and 36,000 emails in the first 6 months of the year. The call handling satisfaction level has been measured as 98.64% based on the number of abandoned calls (151 calls) and calls waiting more than 3 minutes to be answered (26 calls).
11. There have been 13 complaints received in the first 6 months of the year which have been fully investigated and responded to. Of these complaints, 5 related to the service provided by the team, a further 5 related to unhappiness about the scheme regulations and 3 related to external AVC providers. Where appropriate, processes have been changed to prevent reoccurrence.
There have also been 31 compliments received in the same period where members have formally asked us to record their thanks to the team.

End of year returns and employer performance

12. Employers have to complete an annual return and submit it to Pensions by 30 April. This data is used to update pension records with current pay information and is subsequently used to produce annual benefit statements.
13. During the annual return process, employers are measured for timeliness, financial control and data quality. Any Scheme Employer who is highlighted as a concern, or who has a red rating for data quality, is required to complete a data validation exercise to confirm that the membership data we hold for the current year is up to date and correct.
14. A breakdown of employer performance is shown below but in summary:
- No employer was red across all criteria, and none of the largest 5 employers had a red rating
 - 147 employers were green across all criteria (44%)
 - 1 employer had two of the three criteria as red (10 in 2019/20)
 - 43 employers are rated as red in one or more areas and will therefore require an annual performance letter to be sent to them. 37 of these had major data quality issues and will therefore be asked to undertake a data validation exercise. This compares to 68 employers rated red in one or more areas in 2019/20
 - The total number of data queries was 1,649 (3% of total membership). This compares with 2,595 in 2020/21 (4% of membership).

Table of employer performance for 2020/21 year end
(comparative figures for 2019/20 shown in brackets)

	Return received before deadline	Return received between 1 May and 31 May	Return received more than 1 month late
Timeliness	297 (285)	38 (34)	0 (12)
	No reconciliation issues	Minor reconciliation issues/quickly resolved	Major reconciliation issues and/or slow/failed to
Financial control	290 (283)	39 (36)	6 (12)
	Data quality good	Minor data quality issues	Major data quality issues
Data quality	191 (198)	107 (65)	37 (68)

15. Overall there has been a continued improvement in Employer performance for the Annual Returns process.

Annual benefit and pension savings statements

16. Annual benefit statements were produced for 99.87% of active members and for 100% of deferred members by the statutory deadline of 31 August 2021, with over 138,000 produced in total. Of the 76 active members who did not have a statement by the deadline, only 13 are now still outstanding.
17. Pension Savings Statements (PSS) were produced by the statutory deadline of 6 October for the 146 members who were identified as breaching the annual allowance limit in 2020/21. Of these 146 members, 24 have a tax charge which they will either pay directly or via the scheme pays facility.

Annual Employer Meeting 2021

18. Following the meeting in 2020 which was held virtually, the Annual Employer Meeting returned to its normal in person format on 22 October. Although 122 people were booked to attend the meeting, there were 43 no shows on the day itself. Of the 79 attendees, 46 were representatives from 39 different employers (the rest of the attendees were internal staff, Panel and Board members and the external speakers).
19. Attendees were asked to complete a survey and the results from the 30 respondents can be summarised as:
- 90% agreed the AEM had provided them with the information they needed to know
 - 90% thought the AEM was good or excellent
 - Just over half of respondents thought the AEM should be in person in the future, with a further third happy with either face to face or virtual.

The Pension Regulator scheme return

20. The Pension Regulator (TPR) requires schemes to complete an annual return providing details of the contributing employers and governance arrangements. Since 2018, TPR has required schemes to report on the presence and accuracy of common data (information about the individual and basic retirement information) and conditional data (required to calculate specific scheme benefits) as part of the annual return.
21. The score is based on a pass/fail approach for each member against all data items. This means that if an individual has a single piece of data missing then

the individual will count as a fail (even if all other data is present and accurate).

22. The common data score for 2020 has been calculated as 96% (93% in 2020). There were two main reasons for records failing the common data checks:

- 4,357 records have a 'lost contact' address status
- 2,523 records do not have the date pensionable service started recorded in a consistent field on UPM.

An address tracing exercise for deferred members has been carried out and the majority of this work is complete with over 4,300 new addresses updated in UPM. Over half of the remaining lost contacts are preserved refund records where the member does not have enough service to receive a pension but is still entitled to a refund of contributions. A further address tracing exercise will be carried out next year to reduce this number.

It is important to note that whilst it is a requirement to hold a valid home address, greater focus over the last year has been given to holding an email address and ensuring that members are aware of the need to update their personal data through the Member Portal.

The date pensionable service started is a low priority data cleanse item of work as it exists on the record (so therefore does not have an impact on any calculations) and just needs adding into the correct field on UPM.

23. The conditional data score has been calculated as 96% (95% in 2020). There were two main reasons for records failing the conditional data checks:

- Pensionable pay information is not held in the correct field for 781 active and 3,354 deferred members
- 3,323 records do not hold a 'crystallised benefit value'.

Pensionable pay information is not required for the deferred records because benefits already been calculated (the pay will be on the record, but just not in the expected field, and may only be on the documents due to the record having been migrated from previous administration systems). The pay for the active members will be cleansed as part of the annual end of year processes.

The records missing 'crystallised benefit value' check are all pensioner status and the data does not impact anything in terms of benefits payable or external reporting to HMRC. Consequently this is a low priority data cleanse item.

McCloud

24. The McCloud remedy project work has continued in 2021/22. The table below shows the status of the LGPS bulk service data collection to October 2021.

	HPF
Number of employers	337
Number of completed Data Collection templates received	313
Number of initial checks completed on templates received	313
Number of employers ready for upload	221
Number of Data Collection templates outstanding	24

25. Excellent progress has been made in contacting all outstanding employers with the result being that all employers are now engaged and are aware of what they need to provide.
26. After extensive testing of their initial data load software, Civica was provided with feedback on its practical application within the pension system. As a result of this feedback, Civica are now going to create a separate history view in UPM so that records show both the original data and the updated service history. It is anticipated that this software will be available during the early part of 2022/23.
27. Employers have been asked to provide the final tranche of data covering the period 1 April 2021 to 31 March 2022 by 30 June 2022. However, employers have been asked to prioritise their end of year returns and responses to queries so as not to impact on the valuation timetable next year.
28. The actual McCloud remedy and the accompanying legislation has yet to be confirmed. It is anticipated that significant further work will be required once the remedy and accompanying legislation are in place.

Pension system development roadmap

29. When the pension administration software contract was awarded to Civica in September 2020, an agreed road map for development work was put in place. All of these developments have been implemented as agreed, including:

- Publishing new member documents on the Portal, and emailing the new starter to alert them rather than sending out paper forms
- The facility for members to run their own estimates for voluntary retirements, which has been used over 10,000 times since it was implemented
- The pilot and roll out of the Employer Hub, for which 80% of employers are registered covering 98% of the Fund's membership
- Providing an online leaver form for members and employers, reducing the amount of information which has to be provided.

30. Civica also produced a 'health check' report to ensure that UPM is correctly set up in the Hampshire IT environment. Civica worked with the team and Hampshire IT to implement its recommendations, with the main one being an increase to the physical RAM on the servers.

31. The next two year road map has been agreed with Civica. The main developments are:

- Implementation of 'Task Runner' and 'Bulk Automation' which improve the behind the scenes efficiency of UPM, particularly for the production of annual benefit statements
- Introduction of the 'dynamic homepage' feature for the Member Portal, which will prompt someone logging in to take some action such as checking their personal details
- The Online Identification and Verification module which will become a replacement for the paper Life Certificates which are currently sent annually to overseas pensioners, as well as providing a more secure way of people confirming their identity to the Fund
- The ability for employers to upload documents onto the Employer Hub.

An update on the progress of the developments will be provided in the next administration paper to the Panel and Board.

Onboarding of new administration partners

32. The Pension Services team have been working during the year to on-board two new partners to the Hampshire pension administration service. The London Borough of Hillingdon (LBH) and Westminster City Council (WCC) have now joined West Sussex County Council, Hampshire Police and

Hampshire & Isle of Wight Fire and Rescue Authority in using this service. The table below shows the membership of the schemes now administered by Pension Services.

Partner	Employers	Members
Hampshire LGPS	337	183,410
West Sussex LGPS	207	80,806
London Borough of Hillingdon LGPS	115	27,456
Westminster City Council LGPS	35	16,803
Hampshire Police	1	8,642
HIOWFRA and West Sussex Fire and Rescue Authority	2	5,457
Total	697	322,574

33. LBH went live for pensions administration on 27 September 2021, and WCC went live on 8 November 2021. There was no impact on any existing partners or on the ability of the team to provide the usual high quality level of service to any of its membership from these on-boardings. Increasing the number of partners has a positive impact on the service in terms of job security, career progression and presence in the LGPS.

Climate Change Impact Assessment

34. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
35. The climate change and carbon control mitigation tools were not applicable for this report because the decisions in this report relate to the in-house management of the administration of the pension scheme and therefore have a neutral impact on climate change.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because the Pension Fund Panel and Board have a statutory responsibility for the administration of the pension scheme.

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.

