

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Panel:	Pension Fund Panel and Board
Date:	16 December 2022
Title:	Governance: Administration performance update
Report From:	Director of Corporate Operations

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 in the first six months of 2022/23.

Recommendation(s)

2. It is recommended that the Panel and Board:
 - note the strong performance of Pension Services in the first six months of 2022/23
 - approve the revised FSS, Employer Policy and Communication Policy Statement
 - note the rest of the information contained in the report

Executive Summary

3. In the first six months of 2022/23 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
 - produced and uploaded the Fund data required to complete the triennial valuation and continued to work with Employers to improve the quality of the data
 - Consulted with Employers on the draft Funding Strategy Statement and Employer Policy which have been updated with the changes made for the triennial valuation

- Measured and submitted the common and conditional data scores to the Pensions Regulator
 - Continued to work on the McCloud remedy and work for the Pension Dashboard Program.
4. Consideration is being given to changing the supplier used to make pension payments into overseas bank accounts.

Performance against service standards (KPIs)

5. The tables below show the performance for the first two quarters of 2022/23. 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.

From September 2022, the average working days taken to process each type of key casework has been recorded. The Q2 table below shows the average days taken in September but in future reports, this column will show the average across the quarter.

Q1 2022/23

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		
Active Retirement	53	33	85	0	0	171	100.00%
Deferred Retirement	99	103	321	0	0	523	100.00%
Estimates	71	125	924	0	0	1,120	100.00%
Deferred Benefits	48	18	54	95	1,293	1,508	100.00%
Transfers In & Out	31	12	27	0	0	70	100.00%
Divorce	9	13	81	0	0	103	100.00%
Refunds	48	176	29	0	0	253	100.00%
Rejoiners	15	10	18	190	0	233	100.00%
Interfunds	12	43	148	0	0	203	100.00%
Death Benefits	196	42	46	0	0	284	100.00%
Grand Total	582	575	1,733	285	1,293	4,468	100.00%

Q2 2022/23

Type of Case	Time to Complete					Total	% completed on time	Average days (Sept 22 only)
	0 – 5 days	6 – 10 days	11 -15 days	16 – 20 days	21 – 30 days			
Active Retirement	94	75	205	0	0	374	100.00%	10
Deferred Retirement	70	69	444	0	0	583	100.00%	12
Estimates	92	153	1,069	0	0	1,314	100.00%	11
Deferred Benefits	31	20	52	96	2,134	2,333	100.00%	25
Transfers In & Out	37	15	35	0	0	87	100.00%	7
Divorce	9	25	65	0	0	99	100.00%	9
Refunds	20	203	106	0	0	329	100.00%	9
Rejoiners	16	8	50	144	0	218	100.00%	14
Interfunds	9	42	145	0	0	196	100.00%	11
Death Benefits	201	45	51	0	0	297	100.00%	5
Grand Total	579	655	2,222	240	2,134	5,830	100.00%	

6. At the July meeting, the Panel and Board requested more detail on the membership statistics provided in the administration report. The report stated that the *average annual pension paid in 2021/22 was £4,927 (£5,042 in 2020/21)*. A table showing the banded value of pensions currently in payment is shown below, with an average amount of £5,186.

Value of annual pension	Members	Total annual amount
Less than £500	7,159	£1,642,737
£500 - £1,000	5,602	£4,150,388
£1,001 - £1,500	4,611	£5,738,844
£1,501 - £3,000	9,435	£20,599,461
£3,001 - £6,000	9,928	£42,711,353
£6,001 - £12,000	7,525	£63,292,989
£12,001 - £24,000	3,841	£63,584,482
£24,001 - £36,000	1,183	£34,082,797
£36,001 - £48,000	322	£13,130,933
More than £48,000	151	£9,122,961
Total	49,757	£258,056,945

7. The Panel and Board also requested information on the value of benefits which are due to members but have not yet been claimed. For most members, benefits can be taken at any age from 55 to 75. There is a group of members who left the scheme before 1 April 1998 whose benefits are payable without reductions at a specific age. HPS contact members three months before the age at which the benefits can be paid without reductions and again if the member has not taken their benefits by age 74.

The table below shows the Fund has 734 unclaimed pensions i.e. those where the member is now over 75 or those where the member left prior to 1 April 1998 and whose payment date has now passed. The total value of these pensions is £1,071,664 and the largest unclaimed pension is just over £12,000 per year. All those over 75 have been submitted for address tracing.

Value of annual pension	Number of members	Total amount
Less than £500	198	£41,208
£500 - £1,000	146	£105,122
£1,001 - £1,500	123	£150,606
£1,501 - £3,000	187	£391,451
£3,001 - £6,000	62	£243,141
More than £6,000	18	£140,136
Total	734	£1,071,664

End of year returns and employer performance

8. It was reported to the Panel and Board in July that there had been an overall decrease in the quality and timeliness of the annual returns provided by employers. However this did not prevent the valuation data being submitted to the Fund Actuary on time and because most queries have now been resolved, it has not impacted on the valuation results for individual employers.

9. 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.

10. A breakdown of employer performance is shown below but in summary:
 - No employer was red across all criteria
 - 154 employers (45%) were green across all criteria (44% in 2020/21)
 - 1 employer had two of the three criteria as red (same in 2020/21 though a different employer)
 - 67 employers are rated as red in one or more areas and will therefore require an annual performance letter to be sent to them. 62 of these had major data quality issues and will therefore be asked to undertake a data validation exercise. This compares to 44 employers rated red in one or more areas in 2020/21
 - The total number of data queries was 2,354 (4% of total membership). This compares with 1,649 in 2020/21 (3% of membership). Three employers account for the majority of the increase in queries.

Table of employer performance for 2021/22 year end
(comparative figures for 2020/21 shown in brackets)

	Return received before or on 30 April	Return received between 1 May and 31 May	Return received on or after 1 June
Timeliness	281 (297)	59 (38)	3 (0)
	No reconciliation issues	Minor reconciliation issues / quickly resolved	Major reconciliation issues, or slow to respond
Financial control	310 (290)	29 (39)	4 (6)
	No data quality issues	Minor data quality issues / quickly resolved	Major data quality issues, or slow to respond
Data quality	198 (191)	83 (107)	62 (37)

Annual benefit and pension savings statements

- Annual benefit statements were produced for 99.87% of active members and for 100% of deferred members by the statutory deadline of 31 August 2022, with over 143,000 produced in total. Of the 189 active members who did not have a statement by the deadline, only 25 are now still outstanding of which 19 are likely to be leavers and not due an active statement.
- Pension Savings Statements (PSS) were produced by the statutory deadline of 6 October for the 229 members who were identified as breaching the annual allowance limit in 2021/22. Of these 229 members, 68 have a tax charge which they will either pay directly or via the scheme pays facility.

Annual Employer Meeting 2022

- The Annual Employer Meeting was held in person on 12 October. Of the 124 attendees, 89 were representatives from 66 different employers (the rest of the attendees were internal staff, Panel and Board members and the external speakers).
- Following the AEM attendees were asked for their feedback on the sessions, however there have only been 10 responses to date. Of these,
 - 90% thought the AEM was good or excellent
 - 90% said it met their expectations in terms of providing information they had wanted to know.

A further link to an online survey has been sent via the latest employer newsletter and this feedback will be added to the initial responses received.

Actuary tender

- The Fund's current contract for actuarial services is due to expire on 31 March 2023. Work has started to hold a mini competition for the four providers on Lot 1 of the National LGPS Frameworks Actuarial, Benefits and Governance

Consultancy Services framework. It is anticipated that the new contract will be awarded in February 2023.

Funding Strategy Statement and Employer Policy

16. Following the draft valuation results being shared with employers at the Annual Employer Meeting, employers were asked to feedback on the draft Funding Strategy Statement (FSS). The Employer Policy provides more of the detail of how the Fund interacts with employers and consequently feedback was also requested on this document.
17. The main changes to the FSS relate to the use of surpluses and the extension of the pre-payment of contributions to cover employee contributions, which covered by the Actuary at the Panel and Board's September. The detail of this can be seen on page 7 and pages 11/12 of the attached draft FSS. Other changes have been highlighted in the draft FSS and relate to the assumptions used in the valuation including in relation to the McCloud judgement (pages 16 and 41) and the expansion of the Climate Change risk (page 40). The changes are highlighted in yellow in the draft documents which are attached as appendices 1 and 2 to this report.
18. One employer requested that the option to pre-pay contributions was expanded to allow employers to partially pre-pay employer contributions. Following a discussion with the Actuary, officers have agreed that employers can choose to pre-pay a partial amount provided it is at least 50% of the anticipated total contribution.
19. No other feedback was received from the four week consultation. The Panel and Board are therefore asked to approve the draft Funding Strategy Statement and Employer Policy.

Communication Policy Statement

20. The draft Communication Policy Statement is attached as appendix 3. The policy has been reviewed with the main changes as follows:
 - clarifying how we use our Member Portal and how we communicate with our members (section: *Our communication with scheme members*, paragraphs: *Our Member Portal* and *Correspondence* on pages 7 and 8)
 - an update to the section on *Pensioner payslips, P60's and annual newsletter* to more accurately reflect what we do on page 9
 - a rewrite of the section on *Declaration of pension entitlement* due to the rollout of the online Identity and Verification module on page 9
 - a change to the location of a paragraph about new members from the section *Our communication with prospective scheme members* to the

section *Our communication with scheme members* as a better fit also on page 9.

The Panel and Board are asked to approve this draft policy for publication.

The Pension Regulator scheme return

21. 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.
22. 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).
23. The common data score for 2022 has been calculated as 97% (96% in 2021). The improvement in the score is due to the address tracing exercise which was carried out in 2020/21 with over 4,300 new addresses being updated on UPM.

There were two main reasons for records failing the common data checks:

- 4,329 records still have a 'lost contact' address status
- 939 records do not have the date pensionable service started recorded in a consistent field on UPM
- 486 records have a temporary National Insurance 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.

Temporary National Insurance numbers (NINO) are applied to all beneficiary pensioners who are children, before they have been assigned an official NINO. It is this group forming the majority of the records failing this check and therefore it is not possible to correct them. The temporary NINO does this impact the payment of their beneficiary pension benefits.

24. The conditional data score has been calculated as 96% (96% in 2021). There were two main reasons for records failing the conditional data checks:

- Pensionable pay information is not held in the correct field for 511 active (reduced from 781 in 2021) and 2,472 deferred members (3,354 in 2021)
- 3,306 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

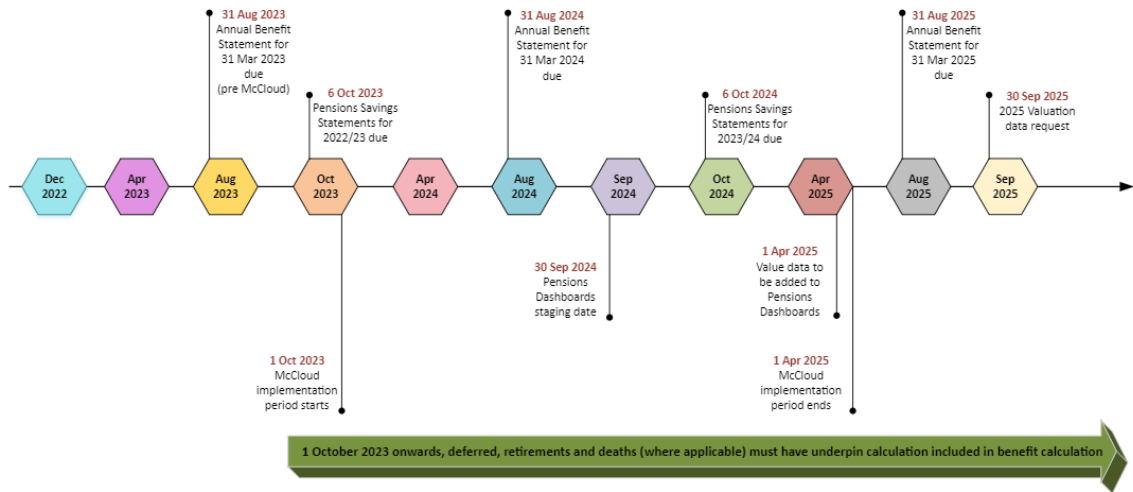
25. The table below shows the progress to date with the data collection and uploads for both the data requests for April 2014 to March 2021 and April 2021 to March 2022.

	2014 - 2021		2021 - 2022	
Number of employers requested to provide data	336			358
Number of completed Data Collection templates received		329		311
Initial checks completed on templates received	327			272
Employers ready for upload (all queries resolved)	275			181
Number of Data Collection templates outstanding		7		47
Number of templates uploaded to UPM		152		0

The team are focussing on uploading the data now that the annual returns process and valuation have been completed.

The chart below sets out the key dates for the McCloud remedy project, including the latest consultation response which is anticipated by the end of the year.

LGPS Pension Scheme McCloud implementation key dates



Factors / timescales yet to be confirmed

- Response to 2020 McCloud consultation from DLUHC (exp. End 2022)
- Consultation on draft regulations (exp. Jan 2023)
- Consultation on Teachers excess service in LGPS
- Upload of membership details to member records
- Aggregation of previous LGPS benefits (probable 12 month election period from 1 Oct 2023)
- Underpin calculations for all pre 1 Oct 2023 leavers
- Whether underpin calculations need to be shown on ABS' due 31 Aug 2024
- UPM Software installation / testing

Pension Dashboard Programme

26. It was reported to the Panel and Board in July that consideration was being given to contracting with Civica for its ISP service in relation to the Pension Dashboard Programme. The decision to proceed with Civica has now been taken based on a number of factors including:

- the preference to expand our existing relationship with Civica and avoid an additional third party contract
- Civica's substantial knowledge of our administration software (UPM) – therefore no requirement to ensure another party (ISP) has a full and detailed understanding of the database and infrastructure
- Civica's ability to automate the bulk data upload; and individual processes which will be 'triggered' by members accessing the pensions dashboard
- Confirmation that Civica can meet the 24/7 requirements of the pensions dashboard, without any performance impact on our administration software, the Member Portal and Employer Hub
- Cost comparison to another established ISP resulted in Civica being significantly more competitive on price.
- If another ISP was appointed, a 'connector' is still required from UPM (via Civica) to the ISP which carries additional set up and maintenance cost.

27. Civica have full engagement with the PDP and have demonstrated that they can meet all of the requirements of an ISP, as set out in the pension dashboards 'code of connection'.
28. A regular technical working group is held to include all of Civica's client base, and HPS have attended all meetings.
29. Civica have confirmed the implementation and annual maintenance cost for their ISP software. The total cost has been calculated based on the number of Active and Deferred members across all of the pension schemes administered by HPS.

ISP Implementation Fee (one off)	£14,850
ISP Annual Maintenance	£97,562

30. The HPS resource that will be required to support implementation and respond to member queries and 'partial matches' is currently estimated to be an additional 2 FTE staff costing approximately £70,000 annually, to support all of the pension schemes that HPS administer. This resource will be appointed in advance of the staging date, to ensure the individuals can support implementation and are trained and competent to deal with queries straight away. However, the impact of the pensions dashboards being made available to users, is currently unknown and our resource may need to be adjusted as the project progresses and once the impact of the pensions dashboard being made public, is understood.
31. The Fund's share of the costs, based on the Fund's share of the overall total of active and deferred members, are shown in the table below.

Cost	Amount	Type	Date
ISP implementation fee	£8,300	One off	March 2023
ISP annual maintenance	£57,000	Annual	From September 2024
2 FTE	£41,000	Annual	From April 2023

Overseas payments

32. Overseas payments for Hampshire pensioners with non UK bank accounts are currently made via Citibank. Pensioners pay Citibank £2.74 per transaction for using this service which is taken from their pension as part of the Citibank exchange into foreign currency. No fee is paid by the Fund for the service.

33. When HPS took on the administration for the London Borough of Hillingdon (LBH) and the City of Westminster (COW) pension funds, the existing provider for overseas payments, Western Union (now called Convera), continued to provide this service for the LBH and COW pensioners.
34. This means that HPS have been able to compare the two providers over the last year and this has shown that Convera's service is more up to date and efficient for both the administrators and the users of the payment system. It would improve the administration process and give pensioners a better service if Convera took on the overseas payments to Hampshire pensioners.
35. Consideration is therefore being given to changing the overseas payments supplier from Citibank to Convera. If the decision is taken to change supplier, the project would take place from June 2023 with new payments being made by Convera from August or September 2023.

Climate Change Impact Assessments

36. 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.
37. 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

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 the draft Funding Strategy Statement, Employer Policy and Communication Policy.	

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.