

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Panel:	Pension Fund Panel and Board
Date:	28 July 2023
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 administration performance for 2022/23 and developments affecting the pension scheme in the first part of 2023/24.

Recommendation(s)

2. It is recommended that the Panel and Board note the continuing good performance of the administration team and the information contained in this report.

Executive Summary

3. Pension Services have performed well against the four key measures of good administration in 2022/23:
 - Cost per member
 - Internal and external audit
 - Customer Service Excellence
 - Performance against service standards.
4. The team has continued to deliver its business as usual work and planned projects:

Annual returns - Employers have provided their annual returns to Pensions which provides information on active members and is used to produce annual

benefit statements and valuation data. All these returns have been uploaded onto the pension administration system, although there has continued to be a decline in timeliness and quality this year due in part to employers experiencing resourcing pressures.

Member Portal - over 87,500 members have now registered for the Member Portal, and usage corresponds with the key annual events for each status; the publication of annual statements for active and deferred members and the end of year payment for pensioners.

McCloud - the Government has recently closed its consultation on draft regulations for McCloud. Legislation is expected before the effective date of 1 October 2023 but there remains a number of issues to be resolved. Civica is developing the calculations required for the application of the new regulations and work has continued with collection of data from employers so that salary and service information can be uploaded for the remedy period.

Pension Dashboards - work to prepare data for the Pension Dashboards programme has continued despite the Government announcing a delay to the overall project.

GMP Rectification - the rectification stage of the GMP reconciliation project has started with the aim of correcting any under or over paid pension payments over the next six months.

Overseas Pensioners - the arrangement to pay overseas pensioners into their local bank account is being transferred from Citibank to Convera with the first payments to be made at the end of August.

Fund Actuary – Hymans Robertson were awarded the Fund's actuarial contract following a call off and mini competition from the National LGPS Framework for Actuarial and Consultancy services.

Administration performance

5. As at 31 March 2023, there were 349 active employers paying into the Hampshire Pension Fund (HPF), and a total of 201,764 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	191	59,916	84,613	49,980
Resolution	56	320	243	254
Admitted	75	1,391	1,373	1,282
Community admitted	10	41	291	404
Transferee admitted	17	65	268	267
Active employers total	349	61,733	86,788	52,187
Councillors (no active members)	10	0	80	136
Ceased (no active members)	52	0	216	624
Grand total	411	61,733	87,084	52,947

Hampshire Pensions Services (HPS) administer the Hampshire LGPS and have performed well against the four key measures of good administration in 2022/23:

- 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

6. One of the key external measures of administration performance is cost per member. The 2022/23 administration cost per member was £13.83 (£12.82 in 2020/21). Part of the increase in cost from the previous year was due to the further work on the McCloud remedy for which the Fund's share was £104,000 (51p per member). The remainder of the increase relates to the increased staffing costs following the 2022/23 pay award. There will be administration costs relating to the McCloud remedy as well as GMP rectification and Pension Dashboards over the next two years. Further details are contained in paragraphs 37 to 41 of this report.

7. 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 2021/22 on which Hampshire was the 4th largest Fund by membership and, at £16.89, had the 3rd lowest combined administration and governance cost per member out of the 85 English and Welsh Funds on the return. The average cost per member across all Funds was £37.89.

Audit reports

8. The annual internal audit opinion for Pensions has been presented to the Panel and Board in a separate report and states that the framework of controls are substantial and testing has shown those controls to be working in practice. Pensions have received good reports for the reviews completed during the year with substantial assurance given for the annual pensions payroll review and the triennial review of pension transfers, member deaths and accounting for pension contributions. Reasonable assurance was given for the new UPM Cyber Security audit, reflecting the ongoing work in this area.
9. The pension refund and UPM application review audits planned for 2023/24 are part of the ongoing risk based programme to cover all key processes over a three year cycle, along with the annual assurance on retirements through to pension payments.

Customer Service Excellence

10. HPS 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
11. HPS have held the Customer Service Excellence (CSE) standard since 2009, and following a full assessment in April 2021, underwent an annual interim assessment in January 2023, with compliance plus passes in six areas:
 - 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 can demonstrate how customer facing staff insights and experiences and incorporated into internal processes, policy development and service planning.

- We make our services easily accessible to all our customers through a provision of a range of alternative channels.
- We monitor and meet our standards, meet departmental and performance targets and we tell our customers about our performance.
- We have developed and learned from best practice identified within and outside our organisation, and we publish our examples externally where appropriate
- We empower and encourage all employees to actively promote and participate in the customer focussed culture of our organisation.

Performance against service standards (KPIs)

- The KPIs for HPS evidence the good performance in 2022/23 with 100% achievement against service standards for all key processes.
- The tables below show the performance for the second 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.

Q3 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	31+ days		
Active Retirement	130	62	53	0	0	0	245	100.00%
Deferred Retirement	126	177	225	0	0	0	528	100.00%
Estimates	104	307	1,083	0	0	0	1,494	100.00%
Deferred Benefits	37	21	98	107	2,786	0	3,049	100.00%
Transfers In & Out	53	27	22	0	0	0	102	100.00%
Divorce	12	54	46	0	0	0	112	100.00%
Refunds	75	317	116	0	0	0	508	100.00%
Rejoiners	29	22	50	224	0	0	325	100.00%
Interfunds	15	69	121	0	0	0	205	100.00%
Death Benefits	177	46	38	0	0	0	261	100.00%
Grand Total	758	1,102	1,852	331	2,786	0	6,829	100.00%

Q4 2022/23

Type of Case	0 – 5 days	6 – 10 days	11 -15 days	16 – 20 days	21 – 30 days	31+ days	Total	% completed on time
Active Retirement	139	57	18	0	0	0	214	100.00%
Deferred Retirement	223	155	124	0	0	0	502	100.00%
Estimates	131	316	973	0	0	0	1,420	100.00%
Deferred Benefits	35	16	55	56	1,906	0	2,068	100.00%
Transfers In & Out	47	34	23	0	0	0	104	100.00%
Divorce	13	67	23	0	0	0	103	100.00%
Refunds	103	175	143	0	0	0	421	100.00%
Rejoinders	23	5	64	295	0	0	387	100.00%
Interfunds	83	116	75	0	0	0	274	100.00%
Death Benefits	223	48	58	0	0	0	329	100.00%
Grand Total	1,020	989	1,556	351	1,906	0	5,822	100.00%

14. The performance for 2022/23 is summarised in the table below, which also shows the average days to complete each type of casework.

Hampshire LG summary 2022/23

Area of work	Service Standard	Number of cases	% cases completed against service standard				Average days to complete
			Q1 - 22/23	Q2 - 22/23	Q3 - 22/23	Q4 - 22/23	
Active Retirement	15 days	1,004	100	100	100	100	7
Deferred Retirement	15 days	2,136	100	100	100	100	10
Estimates	15 days	5,348	100	100	100	100	11
Deferred Benefits	30 days	8,958	100	100	100	100	24
Transfers In & Out	15 days	363	100	100	100	100	6
Divorce	15 days	417	100	100	100	100	8
Refunds	15 days	1,511	100	100	100	100	8
Rejoinders	20 days	1,163	100	100	100	100	15
Interfunds	15 days	878	100	100	100	100	9
Death Benefits	15 days	1,171	100	100	100	100	5
Total cases processed		22,949					

15. A total of 2,973 Scheme members retired during 2022/23, with an average retirement age of 63 years. Of this number, 1,400 (47.1%) took some form of early retirement including 144 ill health retirements and 1,164 members choosing to take a reduced pension. The remainder of the early retirements were redundancies or business efficiency retirements where the employer pays an additional amount to the Fund because the member is entitled to unreduced benefits.

The number of retirements in the year differs from the number of retirements processed in the year, because of timing differences i.e. a retirement processed in March 2023 with a retirement date of June 2023 would show as processed in 2022/23 but as a retirement in 2023/24).

16. The average annual pension paid in 2022/23 was £4,978 (£4,927 in 2021/22). A table showing the banded value of pensions currently in payment is shown below.

Value of annual pension	Members	Total annual amount	Average age
Less than £500	7,056	£1,595,063	68.46
£500 - £1,000	5,468	£4,053,503	71.11
£1,001 - £1,500	4,525	£5,651,347	71.76
£1,501 - £3,000	9,524	£20,849,969	72.03
£3,001 - £6,000	10,215	£44,195,892	72.50
£6,001 - £12,000	8,019	£67,622,571	72.56
£12,001 - £24,000	4,357	£72,118,576	72.11
£24,001 - £36,000	1,342	£39,048,449	72.25
£36,001 - £48,000	440	£17,968,397	71.88
More than £48,000	223	£13,602,113	72.91
Total	51,169	£286,705,880	71.61

17. The annual exercise to apply the statutory pensions increase to pensions in payment and deferred payments was completed as planned. The increase is set by a Treasury Order based on CPI in September 2022. This year the full increase was 10.1%.
18. Deferred annual benefit statements showing the value of deferred benefits at 31 March were produced for all except 97 members by the end of June, ahead of the statutory deadline of 31 August. The remaining statements will be produced over the next two months ahead of the statutory deadline.

Timeliness of contributions

19. All employer contributions due for 2022/23 have been received. The last contribution payment was received on 17 May 2023, due to a change in the staffing at an employer leading to a delayed payment.
20. A total of £0.724m was paid late (£0.366m in 2021/22) which was 0.33% of the total contributions received. The average delay on all late payments received during 2022/23 was 16 days (15 days in 2021/22). A significant

amount of the delayed contributions were attributable to staff sickness at one large employer. Receipt of contributions is reviewed monthly to determine if any action is required. No late payment interest was charged for 2022/23.

Mortality screening and National Fraud Initiative

21. 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	98	£12,247.05
Dependant Pension	209	£109,762.35
Invoice	501	£181,871.09
Write Off	90	£4,417.34
Total	898	£308,297.83

22. The Fund also participates in the bi-annual National Fraud Initiative (NFI). The most recent NFI exercise in 2023 identified four deaths with a total potential recovery of £2,222 and three further members for further investigation with a total potential recovery of £12,089. All records have been suspended and letters sent to the last known address. Applications have also been made to the General Register Office for copies of death certificates and next of kin details.

Pension scams

23. Pension scams continue to be a high risk for Funds and HPS are continually reviewing processes to ensure that all required steps are in place to limit the risk of members falling for a scam.
24. Since November 2021, HPS have had to follow additional precautions with requests to transfer out. All requests for a transfer (other than to a public service scheme or to a limited number of schemes approved by the Pensions Regulator) have to meet a new set of conditions. If any conditions are not met, the case will be reviewed by a senior manager and if, after taking further steps such as requiring the member to seek independent advice from the MoneyHelper service, the issues cannot be resolved, the transfer may be refused. In 2022/23, 18 transfers were reviewed with additional steps being taken in some cases to establish the legitimacy of the transfer. No transfers have required refusal.

25. Updated guidance was received from the Pension Industry Scams Group (PISG) in March 2023 which has been incorporated into the transfer approval process. This will increase the number of referrals to the MoneyHelper service to ensure that members are aware of the risks associated with transferring benefits out of the LGPS.

Annual returns

26. Employers are required to provide an annual return by 30 April containing details of all employees who contributed during the year. The full detail 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. 300/347 returns were received by the deadline, with 42 of the remaining 47 returns received by the end of May 2021. The final 5 outstanding returns were received by 14 June. All returns have been uploaded and 2,044 queries have been raised with employers. Whilst this is a 13% decrease in the number of queries compared with 2021/22, the team have found that the quality and timeliness of the data has continued to decline. This is in large part due to data provided by third party payroll providers who are being impacted by the same resourcing issues as other employers, impacting on their ability to prioritise pension work.
28. Once the end of year data has been uploaded and as many queries as possible cleared by 30 June, CARE revaluation is applied and active annual benefit statements are produced ready for publication in August ahead of the statutory deadline of 31 August.

Member Portal

29. Scheme information for members is provided on the HPS website. Members can view their own record including their annual benefit statement via the secure member self-service portal, as well as update personal details and run estimates. 87,578 members (43.4%) had registered for the Member Portal by 30 April 2023 (73,275 by 30 April 2022).

The table below shows the number of members who are registered for the Portal, together with those who have made an active decision to opt out. The 'no contact' members are those who have neither registered nor opted out. Consideration will be given to an exercise to contact deferred members who are yet to register or opt out and encourage them to make an active decision on their method of communication.

Status	Registered		Opted out		No contact	
	Members	%	Members	%	Members	%
Active	31,466	51.0%	397	0.6%	29,870	48.4%
Deferred	31,437	36.1%	626	0.7%	55,021	63.2%
Pensioner	24,675	46.6%	14,137	26.7%	14,135	26.7%
TOTAL	87,578	43.4%	15,160	7.5%	99,026	49.1%

30. The table below shows the usage of the Portal in each quarter, which corresponds to an increase by status when annual statements are published for actives (August) and deferreds (June) and the annual increase is applied for pensioners (April).

2022/23 summary of Portal activity

Membership status	Q1	Q2	Q3	Q4	Total
Active	5,775	8,180	10,688	6,934	31,577
Deferred	7,464	5,050	5,401	5,527	23,442
Pensioner	8,534	4,754	4,021	5,108	22,417
Total records accessed	21,773	17,984	20,110	17,569	77,436
Total Portal activity	31,633	26,698	27,280	25,850	111,461

The breakdown by membership status shows the number of unique records in each status accessed by users in the period. This means the first time a member logs on in the period, their record (or records if they have more than one) will show as having been accessed. Any subsequent log ins by the same user in the same period will not increase the number of records accessed.

Total Portal activity shows the total number of logins (including multiple logins by the same user in the period).

31. Members logging into the Portal now will receive their one-time security code by SMS if a mobile number has been provided. This is a quicker and more secure method for providing the code and has already received positive feedback. Members who do not provide a mobile number will continue to receive their code by email.

McCloud

32. At the end of May 2023, the government issued a consultation on the draft regulations for the implementation of the McCloud remedy in the LGPS. The consultation also sought views on specific areas of the remedy including aggregation, club transfers and flexible retirement. The consultation closed on 30 June and final regulations are expected in September, ahead of the effective date of 1 October 2023.
33. Civica is developing the necessary software changes to allow HPS to implement the remedy for the Fund and the first release of these changes was delivered to the test environment in July. This will allow all members affected by the remedy to be flagged in the system so that reports and calculations can be run. The first updated calculations have been delivered into the UPM test environment.
34. The team has continued to collect and cleanse data required for McCloud from employers. 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			357
Number of completed Data Collection templates received		329		324
Initial checks completed on templates received	329			310
Employers ready for upload (all queries resolved)	303			218
Number of Data Collection templates outstanding		7		33

35. The costs of the software, and of the project team, are being shared as a proportion of membership by the four LGPS Funds administered by HPS. HPF has 60% of the total membership and therefore will pick up the largest share of the costs. The combined software and team costs are anticipated to be £110,000 in 2023/24.
36. Although work is progressing well, there is still a large amount of data to process and there are still many unknowns for the remedy project in terms of how it will be implemented. HPS are attending relevant sessions such as those held by Civica and the LGA in order to remain fully engaged with the process.

Pension Dashboard Programme

37. The Pensions Dashboard Program (PDP) is a national government initiative in which all UK pension schemes are required to participate. The aim of the PDP is to create a single website for people to be able to access all their pensions information from all their pension schemes, including the state pension in one place. A document setting out the approach to Dashboard connection is attached as Appendix 2 to this report.
38. Civica have been appointed as the ISP provider for Hampshire Pension Services. However following the government announcement in March 2023 of an overall delay to the PDP, Civica are currently waiting for the revised detail of when they will be asked to connect to the dashboard.
39. The Parliamentary Under Secretary of State for Department for Work and Pensions issued an updated statement on 8 June setting out further details of the delay:
 - legislation will be updated to set an overall connection deadline for all schemes, which will be 31 October 2026.
 - the individual connection deadlines for schemes will be set out in guidance, and will be before the final deadline of 31 October 2026. DWP is planning to collaborate with the industry this year before publishing this guidance.

The date that dashboards will go live to the public (Dashboards Available Point) has not been announced yet, but the minister has said that this could be earlier than 31 October 2026. This indicates that Public Sector Schemes will have an earlier staging date than 31 October 2026. HPS is still working on the basis that public sector schemes will be required to connect in September 2024.

GMP rectification

40. Intellica have continued to work on the calculations required for GMP rectification; correcting pension over and under payments which have arisen as a result of discrepancies in GMP values held by HMRC compared to those held by the Fund. Intellica are due to upload the data into UPM from the end of July with the aim of then correcting pensions in payment over the following five months. As agreed by the Panel and Board at their July 2022 meeting, the Director of Corporate Operations will consider any exceptional cases where adjusting the pension may cause hardship.
41. The costs of the rectification stage of the project are being charged on a time and materials basis. Intellica have estimated that this implementation stage of

rectification, to be £172,000 depending on the volume of cases which need to be assessed manually rather than through the bulk calculation. However this estimate will be reviewed at the end of the first phase of rectification once more information is available. Based on an extrapolation of the initial data pass it is anticipated that the overall impact of the exercise for HPF taking into account the under and over payments will be an annual saving of between £124,000 and £220,000 per annum.

Overseas payments

42. The Panel and Board were informed at the December meeting that consideration was being given to changing the overseas payments supplier from Citibank to Convera (formerly Western Union) and this decision has now been taken. The rationale for this change was to use the same supplier for all the schemes administered by HPS and Convera provides a more efficient service with no impact on the transaction charge paid by the pensioner.
43. The project to transition to Convera started in May 2023 and all affected pensioners have been contacted, with the option to opt out of using this service and making their own arrangements. No pensioners have decided to opt out and the first payments will be made by Convera instead of Citibank for the pension payment made at the end of August.

Actuarial contract

44. At the March meeting, the Panel and Board were informed that the actuarial contract for the Fund had been awarded to Hymans Robertson following a mini competition under the National LGPS Actuarial and Consultancy Services Framework.
45. The lead actuary for the new contract is Catherine McFadyen, who will be supported by Steven Law and a wider team within Hymans. Catherine and Steven will introduce themselves to the Panel and Board at this meeting.
46. The transitional work to move from Aon to Hymans is nearing completion with the July accounting exercise underway for employers.

Climate Change Impact Assessments

47. 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.

48. 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 principles for the GMP project and delegate authority to the Director of Corporate Operations to consider any special cases as they arise.	

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:

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.