

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Panel:</b>	Pension Fund Panel and Board
<b>Date:</b>	12 July 2019
<b>Title:</b>	Governance: Administration performance update
<b>Report From:</b>	Director of Corporate Resources

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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 2018/19, and to share the proposed response to the current consultation on changes to the local valuation cycle and management of employer risk.

#### Recommendation(s)

2. It is recommended that the Panel and Board:
  - note the strong performance of Pension Services in 2018/19
  - approve the proposed response to the valuation cycle and employer risk consultation.

#### Executive Summary

3. Pension Services have performed well against the four key measures of good administration in 2018/19. There has been a dip in performance in the first part of 2019/20 due to much higher than anticipated number of member queries relating to the new partnership with West Sussex County Council. However performance was back on track by the second week in June and the team are now delivering to the agreed service standards.
4. The Ministry for Housing, Communities and Local Government (MHCLG) has published a policy consultation setting out proposals to transition the local valuation cycle for the LGPS from triennial to quadrennial. The case for this change is not made in the consultation document and therefore the response

sets out the view that no change should be made to the timing of local LGPS valuations.

## Administration performance

5. As at 31 March 2019, there were 338 employers paying into the Hampshire Pension Fund, and a total of 171,819 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	56,210	69,927	39,178
Resolution	58	290	183	190
Admitted	62	1,382	959	1,021
Community admitted	17	79	337	340
Transferee admitted	21	94	278	220
Councillors (no active members)	10	0	96	126
Ceased (no active members)	52	0	270	639
<b>Total</b>	<b>400</b>	<b>58,055</b>	<b>72,050</b>	<b>41,714</b>

6. Pensions Services administer the Hampshire LGPS and have performed well against the four key measures of good administration in 2018/19:
- 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

7. One of the key external measures of administration performance is cost per member. The 2018/19 administration cost per member was £14.07. This is an increase in cost per member as it includes the one off cost for the GMP reconciliation exercise, which is explained in more detail in paragraph 17 of this report. The comparative cost per member excluding this one off expense was £12.11 (£11.96 in 2017/18).
8. 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 2017/18 on which Hampshire was the 5th largest Fund by membership and, at £15.23, 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 £29.80.

### **Audit reports**

9. The annual internal audit opinion for Pensions will be presented to the Panel and Board at the meeting on 26 July. Pensions have received good reports during the year with substantial assurance given for the annual pensions payroll and pension starters reviews, and adequate assurance for the pension leavers review. There were no formal action plans required for the administration of LGPS pensions.

### **Customer Service Excellence**

10. 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
11. Pensions Services have held the Customer Service Excellence (CSE) standard since 2009, and retained the award following an interim assessment in April 2019, with compliance plus passes in seven areas (up from five areas in 2018):
  - 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 how customer-facing staffs' insight and experience is incorporated into internal processes, policy development and service planning.
  - We use reliable and accurate methods to measure customer satisfaction on a regular basis.
  - 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.

### Performance against service standards (KPIs)

12. The KPIs for Pensions evidence the strong performance in 2018/19. As reported to the Panel and Board in December 2018, 6 divorce cases missed the 15 day standard in the first 6 months of the year, but Pension Services were back to 100% performance for the rest of the year. The tables below show the achievement against service standards for the last six months of the year.

All casework was measured against a 15 day standard in 2018/19, apart from deaths and refunds which had a 20 day standard, and deferred benefits which had a 40 day standard.

#### Q3

Type of Case	Time to Complete (working days)						Total	% completed on time
	0 – 5	6 – 10	11-15	16 – 20	21 – 30	31 - 40		
Active Retirement	62	57	123	0	0	0	242	100.00%
Deferred Retirement	51	55	236	0	0	0	342	100.00%
Estimates	67	121	145	0	0	0	333	100.00%
Deferred Benefits	57	32	81	109	962	891	2,132	100.00%
Transfers In & Out	14	4	19	0	0	0	37	100.00%
Divorce	26	12	73	0	0	0	111	100.00%
Refunds	53	230	153	11	0	0	447	100.00%
Rejoiners	9	3	53	259	0	0	324	100.00%
Interfunds	18	10	16	0	0	0	44	100.00%
Death Benefits	195	20	4	5	0	0	224	100.00%
<b>Grand Total</b>	<b>552</b>	<b>544</b>	<b>903</b>	<b>384</b>	<b>962</b>	<b>891</b>	<b>4,236</b>	<b>100.00%</b>

#### Q4

Type of Case	Time to Complete (working days)						Total	% completed on time
	0 – 5	6 – 10	11 -15	16 – 20	21 – 30	31 - 40		
Active Retirement	67	37	69	0	0	0	173	100.00%
Deferred Retirement	61	74	179	0	0	0	314	100.00%
Estimates	111	138	308	0	0	0	557	100.00%
Deferred Benefits	106	53	49	98	898	599	1,803	100.00%
Transfers In & Out	6	2	16	0	0	0	24	100.00%
Divorce	14	16	65	0	0	0	95	100.00%
Refunds	93	148	111	35	0	0	387	100.00%
Rejoiners	11	24	79	158	0	0	272	100.00%
Interfunds	9	3	32	0	0	0	44	100.00%
Death Benefits	161	33	18	7	0	0	219	100.00%
<b>Grand Total</b>	<b>639</b>	<b>528</b>	<b>926</b>	<b>298</b>	<b>898</b>	<b>599</b>	<b>3,888</b>	<b>100.00%</b>

13. However, there has been a dip in performance in the first two months of 2019/20, which was caused by the impact of a much larger than anticipated volume of member queries relating to West Sussex, following the go-live of the new administration partnership in March 2019. 262 cases (8% of the total casework) did not hit their SLA. There have been two complaints as a result of these delays.
14. 100% achievement against the service standards was achieved from the second week in June and it is not anticipated that there will be any further effect on the team's ability to deliver the required level of service to Hampshire members. The table below shows the performance for the first quarter of 2019/20.

**Q1 2019/20**

Type of Case	Time to complete (working days)						Total	% completed on time
	0 – 5	6 – 10	11-15	16 – 20	21 – 30	31 - 40		
Active Retirement	148	53	20	0	1	0	222	99.55%
Deferred Retirement	178	111	82	4	1	0	376	98.67%
Estimates	69	52	477	38	5	6	647	92.43%
Deferred Benefits	61	21	21	22	894	107	1,126	90.50%
Transfers In & Out	28	5	14	4	10	5	66	71.21%
Divorce	11	10	41	15	17	1	95	65.26%
Refunds	27	68	158	0	0	0	253	100.00%
Rejoiners	18	13	40	89	13	1	174	91.95%
Interfunds	4	1	40	2	19	5	71	63.38%
Death Benefits	129	33	26	6	2	0	196	95.92%
<b>Grand Total</b>	<b>582</b>	<b>302</b>	<b>795</b>	<b>165</b>	<b>817</b>	<b>125</b>	<b>3,226</b>	

<b>Cases that failed SLAs</b>	<b>69</b>	<b>68</b>	<b>125</b>	<b>262</b>	<b>8.12%</b>
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15. Of the cases that were outside the SLA, 107 (41%) were deferred benefits which should have been processed within the new 30 day service standard from 1 April 2019 but instead were processed within the previous 40 day standard.

**Partnership with West Sussex**

16. The project to onboard West Sussex pension administration was completed in March 2019 with a successful go-live of the service on 12 March. During the onboarding, it became evident that the data held by the previous administrators was of worse quality than anticipated and West Sussex have acknowledged that there will need to be a large data cleansing exercise to bring their data up to the level of that for Hampshire.
17. However the short term priority has been to ensure that data is present to allow the bulk processes for annual pension increases and the valuation

extracts to be run, so as not to disadvantage any pensioner member and to meet the requirements of the West Sussex actuary for the valuation timetable.

18. As described above, the poor data quality and service provided by the previous administrator has impacted across the workloads of Pension Services, unfortunately affecting the team's ability to deliver work within the normal timescales. This was due to the much higher than anticipated query volumes in April and May, with an over 300% increase in contacts from members.
19. Casework for Hampshire members is now back at 100% against service standards, and the team is prioritising those West Sussex cases which result in a payment (retirements and refunds).
20. Despite the transitional issues, the team has received a high number of compliments from West Sussex members and employers regarding the level of service they have received.

### **Launch of Member Portal**

21. During the year, Pension Services implemented the new look Member Portal, through which members can log on and view their pension information. The Member Portal has increased functionality and offers an improved look and feel over the previous web access module and has had a lot of positive feedback from members. Approximately 26,886 members have registered so far.
22. Member Portal was successfully relaunched to members of the Hampshire Pension Fund in January, and then to members of the West Sussex Pension Fund in April. Firefighters are also now able to use the online service, which is being rolled out to Police officers in the summer.

### **GMP reconciliation**

23. The GMP reconciliation work has been carried out on behalf of the Fund by Intellica, who are contractors for the system's supplier Civica. This project is now nearing completion, within the original budget of £336,000:
  - All 64,000 queries identified at the beginning of the project have been sent to HMRC and we are waiting on a response to 2,500 of these
  - All 2,760 individual investigations identified at the start of the project have been completed, using bulk resolutions where possible
  - A sample of 1,931 investigations were completed to determine the next steps for the remaining queries and subsequent challenge queries based on findings have been submitted to HMRC for clerical review

24. The last stage of the GMP reconciliation project is for Intellica to receive and load all the outstanding queries and assign a final reconciliation status to every member before uploading this onto UPM.
25. In tandem with the reconciliation process, HMRC have been finalising scheme positions in relation to the payment of CEPs (which have been removed since the ending of contracting out in April 2016). As a result, the Hampshire Pension Fund was deemed to be in surplus and has received a repayment of £423,736 from HMRC.

### **Response to consultation**

26. The Ministry for Housing, Communities and Local Government (MHCLG) has published a policy consultation setting out proposals to transition the local valuation cycle for the LGPS from triennial to quadrennial. The consultation also asks for responses to the proposals to introduce greater flexibility for exiting employers, give HE and FE colleges the option to choose whether or not to admit new employees to the LGPS, and to improve the exit credit provisions to reflect experience since 14 May 2018.
27. MHCLG do not appear to have made a valid case for changing the local valuation cycle. The consultation states that the move will deliver greater stability in employer contribution rates and reduce costs, but does not give any supporting evidence for this view. Stability of employer contributions is one of the main objectives of the Hampshire Pension Fund and this objective has been consistently delivered over many years, despite significant volatility of markets and changes to the LGPS benefit structure. It is the view of the Fund Actuary that moving to a four year valuation cycle will actually increase employer costs and uncertainty over contribution rates and this view is reflected in the proposed response to the consultation.
28. The consultation ends on 31 July. The consultation document and proposed response is set out in Appendix 1.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes/no
<b>People in Hampshire live safe, healthy and independent lives:</b>	yes/no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes/no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	yes/no
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because the Pension Fund Panel and Board need to approve a consultation response on behalf of the administering authority.</b>	

**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.