

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Panel:	Pension Fund Panel and Board
Date:	13 December 2019
Title:	Governance: Pension administration update
Report From:	Director of Corporate Resources

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Purpose of this Report

1. The purpose of this report is to provide the Panel and Board with an update on administration performance in the first six months of 2019/20.

Recommendation(s)

2. It is recommended that the Panel and Board note the good performance of Pension Services in the first six months of 2019/20.

Executive Summary

3. In the first six months of 2019/20 Pensions have continued to meet service standards for a majority of the casework, as well as produce annual benefit statements for almost 100% of active and deferred members. Membership data was supplied ahead of schedule to the Fund Actuary in order that the 2019 valuation calculations could be completed, and initial whole of Fund results shared with employers at the Annual Employer Meeting in October.
4. A plan to increase the take up of the Member Portal, and to provide all employers with access to the Employer Hub has been put in place and will be rolled out over the next eighteen months, to promote online access as a key way of communicating with members and employers.

Key performance indicators

5. 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.

6. As reported to the Panel and Board at their meeting on 12 July 2019, performance against the service standards dipped following the go-live of the new administration partnership with West Sussex in April 2019. Performance for the first two quarters of 2019/20 and for October and November 2019 is shown in the tables below. It can be seen that the team has recovered its position of 100% achievement against the service standards, and from December, it is expected that this will also be the case for West Sussex casework as well.

Quarter 1 2019/20

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	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%
Grand Total	673	367	919	180	962	125	3,226	86.89%

Quarter 2 2019/20

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	95	113	100	0	0	0	308	100.00%
Deferred Retirement	191	161	150	0	0	0	502	100.00%
Estimates	76	82	561	2	0	0	721	99.72%
Deferred Benefits	41	7	19	102	1,413	8	1,590	99.50%
Transfers In & Out	16	15	44	1	1	2	79	94.94%
Divorce	7	8	78	1	1	0	95	97.89%
Refunds	189	122	75	0	0	0	386	100.00%
Rejoiners	14	32	40	54	0	0	140	100.00%
Interfunds	4	1	76	0	1	4	86	94.19%
Death Benefits	127	49	39	0	0	0	215	100.00%
Grand Total	760	590	1,182	160	1,416	14	4,122	98.62%

October/November 2019

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	60	59	35	0	0	0	154	100.00%
Deferred Retirement	65	131	104	0	0	0	300	100.00%
Estimates	84	148	273	0	0	0	505	100.00%
Deferred Benefits	40	19	53	40	1,432	0	1,584	100.00%
Transfers In & Out	53	10	46	0	0	0	109	100.00%
Divorce	19	31	34	0	0	0	84	100.00%
Refunds	253	73	0	0	0	0	326	100.00%
Rejoiners	15	32	52	16	0	0	115	100.00%
Interfunds	15	12	61	0	0	0	88	100.00%
Death Benefits	138	17	29	0	0	0	184	100.00%
Grand Total	742	532	687	56	1,432	0	3,449	100.00%

End of year returns and employer performance

- 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. In a valuation year, it is critical that the data is received on time and is of high quality because of the short time in which the data has to be processed and sent off to the Fund Actuary.

8. During the annual return process, employers are measured for timeliness, financial control and data quality. A breakdown is shown below but in summary:

- No employers were red across all three criteria
- 33% of employers were green across all criteria (29% in 2018)
- None of the five largest employers had any red ratings
- There were queries on 4% of the records, compared with 4.2% in 2018.
- 62 employers (18.6%) had major data quality issues and will therefore be asked to undertake a data validation exercise (19% in 2018).

Table of employer performance for 2018/19 year end

	Return received before deadline	Return received between 1 May and 31 May	Return received more than 1 month late
Timeliness	264 (79%)	68 (20%)	2 (1%)
	No reconciliation issues	Minor reconciliation issues/quickly resolved	Major reconciliation issues and/or slow/failed to respond
Financial control	227 (68%)	92 (28%)	15 (4%)
	Data quality good	Minor data quality issues (less than 5% of membership)/quickly resolved	Major data quality issues (more than 5% of membership) and/or slow/failed to respond
Data quality	187 (56%)	85 (25%)	62 (19%)

9. Following employer feedback, rather than only contacting those employers whose performance required them to complete a data validation exercise, Pensions have written to all employers regarding their end of year performance so that those employers who have made improvements could share this progress with their senior management team. Data validation exercises for those employers with major data quality issues are due to be completed by 13 December.

Annual benefit and pension saving statements

10. Annual benefit statements were produced for 99.43% of active members and for 100% of deferred members by the statutory deadline of 31 August 2019. Of the 321 members who did not have a statement by the deadline, only 77

are now still outstanding. 68 of these are waiting for information from employers before a statement can be produced.

11. Pension Savings Statements (PSS) were produced by the statutory deadline of 6 October for the 104 members who were identified as breaching the annual allowance limit in 2018/19. Unfortunately due to an issue with the way in which annual allowance breaches are identified in the pension system, a further two members were found to require a PSS after the deadline had passed. These statements were produced and sent by 1 November and the process has been updated for next year to ensure that this does not reoccur.

Annual Employer Meeting 2019

12. The Annual Employer Meeting (AEM) was held in Winchester on Friday 18 October. The AEM was attended by 114 people, representing 90 employers and survey feedback shows that it was well received. 30 responses were received and the results were largely positive.
 - 83% of people who responded to the survey agreed that the AEM provided them with the information they needed
 - Most agreed that the information was clearly delivered, although they would have liked it to be less technical
 - Updates on the performance of the Fund and its investments as well as the size of the scheme and administration were judged to be the most interesting sessions.

The Pension Regulator scheme return

13. 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.
14. 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).
15. This year's scores have been generated through the new data reporting module DART which was implemented in October 2019. The results of this provided a score for conditional data of 94% (87% in 2018/19). The score for common data was measured as 92% (94% in 2018/19). The main reason for the reduction in the common data score is the number of deferred members for whom we do not hold a current address (approximately 12,000). It is the

member's responsibility to keep the Fund updated with their current address and whilst address tracing exercises are carried out for people nearing retirement age, it is not particularly cost effective to have to do this for much younger deferred members. However, with the new Member Portal now in place, consideration will be given to a one-off exercise to trace younger deferred members to ask them to register so that they can easily keep the Fund informed when they change their details.

16. Pensions have established a data improvement plan and data cleansing programme to identify and correct other data issues throughout the year, as well as this being part of bulk data exercises such as running pension increase or annual benefit statement calculations.

Equitable Life

17. At the meeting on 27 September, the Panel and Board delegated authority to the Director for Corporate Resources to vote on the proposed transfer of Equitable Life to Utmost Life and Pensions. The vote was to be split in accordance with the preferences indicated by scheme members.
18. 34 responses were received from with profits AVC scheme members, indicating a strong preference for agreeing to the transfer and the vote was cast accordingly. At the Policyholder's Meeting and Extraordinary General Meeting held on 1 November, the proposals on the Scheme and Changes to Articles were passed by an overwhelming majority:

Scheme changes	By number	94% in favour
	By value	96% in favour
Change to the Articles	By number	94% in favour

19. The next step is a High Court hearing starting on 22 November 2019, where Equitable Life will ask for formal approval to implement the changes. Assuming High Court approval, the Proposal will take effect on 1 January 2020. If the Proposal goes ahead, With-Profits Policies, will be converted to Unit-Linked Policies, meaning policyholders will need to make an investment choice. A communication will be sent to all members informing them of the actions they need to take once the High Court approval has been given.

AVC fund review

20. Hymans have been commissioned to undertake a review of the AVC funds offered by the two providers, Prudential and Zurich, as part of the in-house AVC scheme. This review will assess the current investment options, including:

- the choice and competitiveness of the funds used;
- the design of any lifestyle options;
- the current status of the With Profits Fund.

An assessment of the Prudential AVC product will also consider any recent developments, use of optional policy features and charges and service standards. Hymans will use high level analysis of the Fund's membership statistics and the pattern of AVCs and fund usage to identify potential issues and the suitability of the investment options. A further report will be provided to the Panel and Board following this work.

McCloud

21. The Scheme Advisory Board (SAB) have issued further information about how the McCloud judgement will be applied in the LGPS. It is likely that the remedy will involve the extension of some form of underpin to members in scope who are not currently offered protection from the change to CARE in April 2014. However the SAB have confirmed that they do not expect to see any remedy in place before the end of the financial year 2020/21.

22. When the CARE scheme was introduced, employers no longer had to provide part time hour changes and service break information (as these are only relevant to final salary schemes which use membership in the pension calculation). The current underpin protection affects so few members that part time hours are supplied on a case by case basis rather than routinely put onto all member records. The likely remedy will mean that part time hours and service break information is going to be required for a significant number of members and therefore will create an additional administrative burden on both employers and Pension Services. Employers are being notified of this change so that they can consider their systems and records to ensure they will still be able to supply this information, once the remedy is known.

Pension projects 2020/21

23. Following the successful implementation of Member Portal in January 2019, work is now in progress to extend the take up of online access to pension information and also to upgrade the Employer Hub through which employers can access the pension administration system.

24. Although there are now 35,495 Hampshire LGPS members registered on the Portal, a drive to increase take up will produce efficiency savings for the Fund and a better service for members. The first project to increase take up is for new starters to be invited to register when they join the scheme; instead of a letter being sent to their home address, new members will receive an email asking them to register on the Member Portal to access their pension information. It is expected that this will be the method of contacting all new starters from April 2020.
25. A further improvement to the Member Portal will be the introduction of a facility to allow members to run their own early retirement estimates. Since the change in regulations to allow members to retire without their employer's consent from age 55, there has been an increase in estimate requests. Many of these requests are speculative and members are simply looking for a basic idea of how much they could receive early, rather than requiring accurate figures for an imminent retirement. Allowing members to run these straightforward estimates for themselves will increase member engagement and reduce the volume of requests coming into the administration team. This project requires IT support for implementation but the current plan is to have this option available to members by summer 2020.
26. Despite the expectation that Member Portal and electronic communications will become the main method of contact with members over time, there is no intention to require existing pensioners to register; the default will be for this cohort to receive paper communications unless they choose to go online. Traditional paper communication will also remain available for any new member who opts out of receiving electronic information.
27. Employers can currently access their employee pension records via Employer Web. A new version of this web facility is available and due to be implemented and rolled out during 2020/21. This will provide employers with greater reporting functionality and is the foundation for being able to load data files directly into the pension administration system.

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 the Pension Fund Panel and Board to approve an approach on behalf of the administering authority.	

Section 100 D - Local Government Act 1972 - background documents	
<p>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.)</p>	
<u>Document</u>	<u>Location</u>
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.