

Pensions Committee

25 October 2021

Pension Administration

Report by Director of Finance and Support Services

Summary

As of 30 September 2021, the Scheme had 81,856 members.

Pension Administration services have been provided by Hampshire County Council since 4 March 2019. 100% compliance with key performance indicators has continued.

The Data Improvement Plan was closed with effect from 31 March 2021. The remaining historic leaver forms continue to be worked on and tracked each month. The completion of this work has been impacted due to staff changes. It is anticipated that it will complete by 31 December 2021.

In terms of key projects with the team, as of 30 September 2021,

- 100% of deferred member and 98.9% active member annual benefit statements had been produced by the team in compliance with the statutory deadline of 31 August.
- As of 30 September 2021, 186 of 212 data sets have been received to assist the team in completing updating membership records following the McCloud judgement.
- Following receipt of the annual returns, 1,210 data queries were raised. In line with last year, the team reviewed employer performance during the annual return process for timeliness, financial control, and data quality. No employers were rated red by the administration team across all categories. 87 employers were green across all categories.

Recommendations

- (1) The update is noted with particular attention to the work associated with the publication of Annual Benefit Statements and Pension Saving Statements to members.
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Proposal

1 Background and context

- 1.1 Hampshire County Council provides the Pension Administration Service for West Sussex County Council. The administration team are based in Winchester and the West Sussex Pensions Team works closely with Hampshire County Council.
- 1.2 The Pensions Committee has a key objective within its Business Plan to build on the improvement journey in relation to the administration and to deliver a high-quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time with clear communication and robust accounting and reports.
- 1.3 On 30 September 2021 the Scheme had 81,856 members as analysed below.

	30/06	30/09	Movement
Active	26,118	25,696	-1.6% (422)
Deferred	32,710	33,497	+2.4% (787)
Pensioner	22,427	22,663	+1.1% (236)
Total	81,255	81,856	+0.7% (601)

- 1.4 The administration team onboarded the pension administration for all members of the London Borough of Hillingdon Pension Fund, on 27 September 2021. They will onboard London Borough of Westminster on 8 November 2021. The administration team have recruited additional staff to cover the increase in work and have provided assurance that this will not impact the level of service that is provided to the West Sussex Pension Fund.

2 Administration Performance – Business as Usual Activity

- 2.1 The Administration Strategy sets out performance expectations for employers and the Administering Authority. The current performance of the Administering Authority against the service standards for key processes are summarised below and shown in detail in Appendix A. With some exceptions the expectation is that most cases work is completed within 15 working days of receipt of accurate details.

Case Type	Quarter	Quarter	12 Month	12 Month
	Total Cases	Completed on Time (%)	Total Cases	Completed on Time (%)
Active Retirement	147	100%	495	100%
Deferred Retirement	185	100%	644	100%
Estimates	663	100%	1,553	100%
Deferred Benefits	964	100%	3,109	100%
Transfers In/Out	37	100%	136	100%
Divorce	34	100%	150	100%
Refunds	127	100%	473	100%
Rejoiners	42	100%	271	100%
Interfunds	71	100%	283	100%
Death Benefits	100	100%	463	100%
Total	2,370		7,577	

- 2.2 For the last 20 months, the administration team have maintained 100% completion to the required performance levels in all areas.
- 2.3 The main Data Improvement Plan was closed with effect from 31 March 2021 following work on issues identified by the administration team following transfer. The remaining historic leaver forms continue to be worked on and tracked each month. As of 30 September, there are 601 historic leaver forms left to process. Resourcing has impacted the completion of this work by the original planned date of 31 October 2021. It is now anticipated that most of the work will be completed by 31 December 2021, when the residual cases will then be passed back to a Business as Usual (BAU) activity.

Contribution Receipt

- 2.4 All LGPS contributions are expected to be received by the Fund on the 22nd of each month following deduction. Most employers have adhered to this requirement. A clear escalation procedure is in place if an employer has consistently made late payments or not provided the relevant paperwork. The contribution monitor is included at Appendix B.

Promotion of Portal

- 2.5 LGPS members can register for a pensions account on the member portal so that they can see their Annual Benefit Statement online and access and update their personal details. It is now mandatory for an employer to provide an email address for all new joiners as part of the new starter notification process and the member portal is promoted in all letters to deferred members and promoted

as part of the Annual Benefit Statement process. Pensioner members can also view their payslips and P60s through their portal access. The member portal is promoted in all retirement letters and through the pensioner newsletter.

- 2.6 Since the Committee last met, officers have been made aware that the member portal registrations figures that have been being reported were inaccurate as the figures did not recognise members who have left the Scheme. The table below reflects the corrected figures and continues to show an increase in members registering on the portal.

Status	30 April 2021	30 June 2021	30 September 2021	% of population registered
Active	9,133	9,504	9,867	38.4%
Deferred	7,500	7,908	8,544	25.5%
Pensioner	3,616	4,083	4,519	20.0%
Total	20,249	21,495	22,930	28.0%

- 2.7 Employers can also register for access to a portal which allows them to submit data (including new starters and leavers) and run their own estimates for early retirements. The portal also includes validations prior to data being submitted to the administration team. It is anticipated that using the portal will streamline notifications from employers, improving consistency, accuracy, and compliance – and therefore improving the quality of data held by the Scheme. The table below summarises the registrations on the portal. The employers who are not currently registered are those with a low number of members.

Status	13 October 2021	% of active membership coverage
Employers with >1,001 members	2	57.99%
Employers with 11-1,000 members	98	37.83%
Employers with <10 members	36	0.61%
Total	136	96.43%

3 Administration Performance – Project Work

Annual Benefit Statements

- 3.1 As at the 31 August deadline, 100% of deferred annual benefit statements and 98.9% of active annual benefit statements have been produced, as summarised below. Whilst some employers had notified members of the benefit statements being available, a wider communication from the team was sent on 30 September.

	Deferred No.	Active No.
2021		
Statements Required	31,966	26,764
Statements Produced	31,966	26,466
Statements Missing	-	298
Percentage of Statements Produced	100.0%	98.9%
2020 Comparison		
Statements Missing	18	1,404
Percentage of Statements Produced	99.9%	95.1%

- 3.2 For active members, most missing statements were due to outstanding annual return data from 71 employers. Officers are working with employers to resolve any outstanding issues, to allow for a statement to be produced. Further information about employer performance during the end of year process is included in paragraph 4.

Pension Saving Statements

- 3.3 As at the statutory deadline of 6 October 2021, 100% of Pension Saving Statements were produced. The statement is sent to members who are close to or have exceeded the annual allowance and shows the growth in a member's pension benefits in the Scheme and tests this against the annual allowance. The position is summarised below:

	No.
Statements required	33
Statements produced	33
Statements Missing	-
Percentage of Statements Produced	100%

McCloud Data Collection

- 3.4 Employers are statutorily required to provide extra data (hours worked and service breaks) for all members in the Scheme between April 2014 up to 31 March 2022 to allow the team to apply legislative changes to member benefits extending the underpin benefits to eligible younger members.
- 3.5 As of 30 September 2021, 186 of 212 data sets had been received to assist the team in completing updating membership records following the McCloud judgement. The team are in contact with those employers who have outstanding data sets to understand if there is any reason for the delay and encourage them to return the information requested as soon as possible.

4 Employer Performance

- 4.1 To ensure the Scheme can carry out its administrative obligations required under the Regulations, timely and accurate information is necessary from scheme employers. This includes an annual return being provided which includes key member information (such as pay, service, contributions) and is used for the publication of the Annual Benefit Statements, funding valuations and the ongoing management of member records. In line with last year, the administration team have reviewed employer performance during the annual return process for timeliness, financial control, and data quality.
- 4.2 The definition of the performance categories is shown below along with the number of employers in each section:

	Timeliness	Financial Control	Data quality
No issue	176 returns were received before the deadline of 30 April 85% of employers	182 returns had no reconciliation issues 88% of employers	114 returns had no or very minor data quality issues (below 2% of active membership) 55% of employers
Minor concern	30 returns were received between 1 May and 31 May 15% of employers	19 returns had minor reconciliation issues and quickly resolved 9% of employers	56 returns had some data quality issues (between 2 and 5% of active membership) 28% of employers
Significant concern	1 return was received more than a month late less than 1% of employers	6 returns had major reconciliation issues and/or slow/failed to respond 3% of employers	37 returns had major data quality issues (more than 5 queries or 5% of membership, whichever is higher) and/or slow/failed to respond 17% of employers

- 4.3 The following points are highlighted:

- The total number of data queries across all employers was 1,210 (against a total active membership of 26,208) which is 5% of total membership. This compares with 3,881 in 2019/20 and 7,254 in 2018/19 - showing a significantly improving trend.
- 39 employers are rated as having 'significant concerns' in one category. This compares with 67 in 2019/20 and 78 in 2018/19 – again showing a significantly improving trend.

- No employer was rated as having 'significant concerns' across all categories and 87 employers were given a 'no issues' status across all categories (42% of employers). This compares with 65 (33%) in 2019/20 and 54 (27%) in 2018/19.

4.4 The Pension Fund Strategist will write to all employers where 'significant concerns' on data quality was identified to request that they reconcile the data held by the Fund with their own records to highlight any potential issues prior to the 2021/22 End of Year work being undertaken. Larger employers will also be asked to complete this data validation exercise, due to the large volume of data involved. This will be particularly important given timescales associated with the actuarial valuation for 31 March 2022 data.

5 Complaints & Complaints

5.1 The administration team report complaints received monthly. This allows officers to consider lessons learnt and any service improvements to be implemented. The table below sets out the number and themes of complaints received within the quarter and the last twelve months (1 October 2020 to 30 September 2021).

Theme	No. Complaints (Quarter)	No. Complaint (12 months)
Response Time	1	2
Error in pension figures	-	1
Delay in retirement benefits	-	1
Unhappy with cheque payment being stopped	-	1
Discrepancy between Member portal estimated figures and estimate received	-	1
Delay in set up of UPM record	-	1
Enrolment Complaint (Employer)	-	1
Unhappy with Children's Pensions amounts payable	1	1
Total	2	9

5.2 The table below sets out the number of compliments received over the same period.

No. Compliments (quarter)	No. Compliments (12 months)
5	24

6 Breach Reporting

- 6.1 There are several regulatory requirements within the Local Government Pension Scheme (LGPS) for which there is a statutory duty to report to the Pensions Regulator if a material breach occurs.
- 6.2 Since the Committee met in July there has been two low risk data breaches reported, which have been logged through West Sussex County Council's IT Security Incident Report. The breaches were caused by a member's payslip being incorrectly included within the envelope of another member and 37 members data being sent to Hampshire County Council's internal pensions team, rather than the administration team. The causes of the incidents have been investigated. The move to electronic payslips reduces the risk associated with bulk mailings going forwards. Members of the team have been reminded not to use the auto populate function for an email address to assist with mis-directing emails.

7 Other options considered (and reasons for not proposing)

N/A

8 Consultation, engagement and advice

N/A

9 Finance

- 9.1 The Pension Fund continues to finance the data improvement work being completed by the administration team.

10 Risk implications and mitigations

- 10.1 The following risks from the Pension Fund's risk register are considered relevant in the context of this report:

Risk	Mitigating Action (in place or planned)
Poor quality data resulting in error and misstatement.	Implement and monitor the Data Improvement Plan to completion. Work proactively with administration team and employers as part of the end of year process. Maintain robust accounting records. Data improvement plan largely completed. Risk status to be reviewed following full Actuarial Valuation.
Increase in variety and number of employers participating in the Scheme resulting in risk	Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements.

Risk	Mitigating Action (in place or planned)
of non-compliance with obligations.	Proactive engagement with employers. Development of employer risk framework to monitor and take steps to mitigate risk presented to the Fund in respect of participating employer liabilities.
Cybercrime resulting in personal data for members being accessed fraudulently.	Strong IT environment for administration system and web-based Portals. Officers are taking appropriate advice in considering how risk can be managed/mitigated. Officers working with partners to codify arrangements.

11 Policy alignment and compliance

11.1 The Pensions Committee has an overarching objective to build on the improvement journey in relation to the administration and deliver a high-quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, clear communication and robust accounting and reports.

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Appendices

- Appendix A - Administration Performance Previous 12 Months (1 October 2020 to 30 September 2021)
- Appendix B – Contribution Receipts Previous 12 Months (1 September 2020 to 31 August 2021)

Background papers

None

Recommended Training

Hymans LGPS Online Learning Academy – Module 3 – Business Planning