

Pension Advisory Board

18 July 2018

Administration Procedures and Performance

Report by Director of Finance, Performance and Procurement

Summary

This report provides a high level view of the administration process and performance in support of the Pension Fund and its members, active, deferred and retired.

Recommendation

That the Pension Advisory Board receives the report and confirms any further information that they require.

1. Background and Context

- 1.1 As the Board are aware, Capita provide the Pension Administration Service for the West Sussex Local Government Pension Fund. The administration team are based in Chichester and the County Council works closely with Capita.

2. Compliance with Scheme Regulations

- 2.1. The Terms of Reference for the Pension Advisory Board includes assisting the Scheme Manager to secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it. The following projects are therefore considered relevant to note work being undertaken to comply with changes.

Amendment Regulations

- 2.2. On 27 May 2016, The Ministry for Housing, Communities and Local Government (MHCLG) opened a consultation on proposed changes to Local Government Pension Scheme (LGPS) in England and Wales. On 19 April 2018, the LGPS (Amendment) Regulations were laid before Parliament, and the Ministry for Housing, Communities and Local government (MHCLG) responded to the original consultation on the same day.
- 2.3. The Regulations came into force on 14 May 2018 but certain provisions have effect from 1 April 2014.
- 2.4. A summary of the Amendment Regulations are set out below. A detailed breakdown is available in the LGA Bulletin 171. See background information below.

- 2.5. There is a requirement for all Administering Authorities to communicate the Regulation changes to scheme members as soon as possible, and in any event by 13 August 2018 (three months of the date of change). West Sussex will utilise the newsletter produced by the LGA's Communications Working Group to fulfil this requirement (which will be provided via the member newsletter, via the member's news section of the website and via post to those who have opted out of electronic communication).

Amendment	Action Required
An Administering Authority is no longer required to notify MHCLG of an admission and provide them with a copy of the admission agreement. However the Administering Authority must publish a list of the admission agreements it has entered into and keep this up to date.	The list of admission agreements will form part of the Fund's annual report's listing of active employers at 31 March each year. This is in compliance with advice from the Local Government Association.
Requirement to pay an exit credit to exiting employers	The Funding Strategy Statement is being reviewed to reflect the ability for employers to be entitled to an exit credit (previous wording related to cessation debt only). The Fund will consider cash flow implications.
Payment of deferred benefits at age 55 for leavers dependent on when they left the Scheme. This is to align the entitlement to early payment of benefits to that of members in the 2014 section of the scheme.	The Pensions Team will need to amend their processes and the administration system will require updating to allow for members to access their benefits early.
Expansion of the statutory unpin for members who were an active member of another public service pension scheme on 31 March 2012, were within 10 years of age 65 at 1 April 2012 and then joined the LGPS and transferred their benefits.	The Pensions Team will need to change their communications, processes and pensions systems to account for these changes. In addition, they will also need to review past cases to determine if the underpin should have applied to benefits that are already in payment.
Alignment of AVC payment options whether taken out pre and post 2014.	The Pensions Team will need to change their communications, processes and pensions systems to account for these changes.

- 2.6. Further amendments have been made to the Local Government Pension Scheme Regulations to allow the Regulations to deliver the original policy intention. These are summarised in Appendix 1. No action is required with these, and should just be noted by the Board, as the Pensions Team and/or Pension Fund have already been following guidance that delivered the original policy intention.

Governance and Administration survey

- 2.7. The Pension Regulator (TPR) have published their 2018 report on the findings of the governance and administration survey (undertaken in November and December 2017) of public sector pension schemes.
- 2.8. In total 191 of the 207 public sector pension schemes completed the survey.
- 2.9. The reports covers Scheme governance, record-keeping, internal controls and member communications and is a key indicator about what the Pensions Regulator will be focused on over the next year. The West Sussex Fund is considering the report and its response to the findings included.

3. Performance

- 3.1. The principal functions of the Board's include "seeking assurance that administration performance is in compliance with the Administration Strategy". The following items are considered relevant in respect of compliance of the Fund and its employers in line with the Strategy and Regulations.
- 3.2. Details of the caseload performance reported against target are shown in Appendix 2.
- 3.3. In relation to contribution payments specifically detailed analysis of the date contributions were paid to the Fund is set out in Appendix 3.
- 3.4. As reported previously the Fund had not received any payments from one employer (covering two Admission Agreements) in the last financial year and this was included in the Breach report. The Pension Fund liaised with legal services to resolve the outstanding payments and ultimately has a guarantee from the local authority concerned with this service. The local authority has now made payment of the outstanding contributions to the Fund.
- 3.5. Details of the Membership Movements are shown in Appendix 4.

Compliments and Complaints

- 3.6. At the last meeting the Board asked to see details of the compliments and complaints received through the Pensions Team.
- 3.7. This information is provided to Officers on a monthly basis, which allows for them to identify any trends and service improvements that may be required.
- 3.8. A copy of the summarised report is attached at Appendix 5

4. Communications

- 4.1. The principal functions of the Board's includes "Considering the effectiveness of communication with employers and members including the Communication

Strategy". The following items are considered relevant in respect of the Board supporting effective communication.

Employer Communication

Survey

- 4.2. In the Communication Policy Statement, the Fund undertakes to request feedback from members and employers via a Customer Satisfaction survey. An online employer survey was conducted in November 2017. This offered the chance for employers to submit valuable feedback to the Pension Fund in relation to Pension Fund and administration performance. A summary of the responses is available at Appendix 6.

Member Communication

Newsletter

- 4.3. The Communication Policy Statement undertakes to provide an annual newsletter (for current members and pensioners) which provides updates in relation to changes to the Schemes as well as other related news. The Active member newsletter for 2018/19 has been drafted and is in the process of being signed off. This will be published in line with the Annual Benefit Statements.

Annual Benefit Statements

- 4.4. The statutory deadline for production of Annual Benefit Statements is 31st August each year. Capita produce these on the Funds behalf.
- 4.5. Due to resource the Pensions Team are currently running two weeks behind their schedule. However it is envisaged that this will be caught up and the statutory deadline met.
- 4.6. This is being monitored and any risks assessed weekly by Officers in a regular catch up meeting.

5. Change to Pension Admin Provider

- 5.1 As a part of the overall review of the contract the County Council has with Capita for back office functions, the element relating to pension administration has been reviewed. Since the Contract was awarded there have been additional complexities added to the Local Government Pension Scheme. These include, for example, the move to members benefits being based on Career Average Revalued Earnings (or CARE) rather than a members final salary scheme and a significant increase in size – for example an increase in employer numbers.
- 5.2 The Capita Pensions Administration Service has had difficulties in meeting their Key Performance Indicators in recent years and a survey last year indicated 63% of Scheme members were less than satisfied with the time taken to answer queries.

- 5.3 Based on advice from independent consultants, alternative service providers were considered, applying the following criteria:
- Costs of service delivery, including any transition costs.
 - Performance on key tasks/transactions, quality of data and track record on delivery.
 - Timeframe and plans for a successful transfer.
 - Use of IT processing technology, on line accessibility, automation levels for transactions and system controls.
 - Governance framework for collaboration with West Sussex.
- 5.4 Subsequently, the Cabinet Member for Finance and Resources has agreed the variation to the Capita contract and that Hampshire CC has been appointed as new providers (which will be through a Delegation Agreement), which is anticipated to occur by March 2019. The decision was previewed at the Performance and Finance Select Committee first. A verbal update will be given at the meeting

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Background

[LGA Bulletin 2018 - Bulletin 171](#)
[The Pension Regulator's Governance and Administration Survey Results](#)
[CIPFA Guidance on Pension Boards](#)

Appendices

Appendix 1 – Amendment Regulations
Appendix 2 – Caseload Performance
Appendix 3 – Contribution Monitor
Appendix 4 – Membership Movement
Appendix 5 – Compliments and Complaints
Appendix 6 – Employer survey results