

Key decision: Not applicable

Unrestricted

Report to Pensions Committee

29 April 2022

Pension Administration

Report by Director of Finance and Support Services

Summary

As of 31 March 2022, the Scheme had 84,215 members.

Pension Administration services have been provided by Hampshire County Council since 4 March 2019. 100% compliance with key performance indicators has continued (this has been the case for the past 29 months).

34% of members have now registered onto the Membership Portal which allows them to view their Annual Benefit Statement, run retirement estimates and to access and update their personal details. This includes 34% of pensioner members who (unless opted for hard copy) will receive P60s and pensioner newsletters electronically.

70% of employers are now registered onto the Employer Portal which allows them to submit data and run their own estimates for early retirements.

202 of 214 data sets have been received to assist the team in completing updating membership records following the McCloud judgement.

Hymans Robertson have completed a review of the competitiveness and effectiveness of L&G as provider for LGPS AVCs. On 31 March 2022 there were 581 AVC members, an increase of 33% during the year. Hymans believe that, following the transfer from Standard Life and Utmost to L&G last year, the Fund's AVC arrangements give "Good Value for Members".

Recommendation: That the Pensions Committee notes the report.

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 reporting.
- 1.3 On 31 March 2022 the Scheme had 84,215 members as analysed below. As this is the end of year report, the comparison to 31 March 2021 has been included. Membership overall has increased by 3,400 members. The balance of membership reflects the work completed by the team on historic leavers, which completed in late 2021.

Comparison of Scheme Member numbers 31 March 2021 and 31 March 2022

| | 31-Mar-21 | 31-Mar-22 | Movement |
|------------------|---------------|---------------|-------------|
| Active | 26,574 | 26,394 | -0.7% |
| Deferred | 31,958 | 34,781 | 8.8% |
| Pensioner | 22,274 | 23,040 | 3.4% |
| Total | 80,806 | 84,215 | 4.2% |

- 1.4 In addition, there are 5,389 records classified as 'preserved refunds' Preserved refunds relate to those leaving the scheme (primarily) before reaching a two year 'vesting period' threshold and therefore do not qualify for deferred benefits. These preserved refunds can be paid out or transferred to another pension arrangements. A project is being scoped to provide options to those with preserved refunds in the Scheme.

2 Administration Performance – Business as Usual Activity

- 2.1 The Administration Strategy sets out performance expectations for employers and the Administering Authority. The team completed 2,117 cases in scope of the service standards for key processes over the quarter and continue to deliver 100% compliance.¹
- 2.2 The analysis on the following page shows the timescales for cases being completed over the quarter to provide more context about the member experience. The bold line shows the target timescale. Longer term analysis is in Appendix A.

¹ The team has delivered 100% compliance against the service standards for the past 29 months.

Timescales for Cases Being Completed over the Quarter

| Type of Case | 0-5 days | 6-10 days | 11-15 days | 16-20 days | 21-30 days | Total |
|-------------------------------|------------|------------|------------|------------|------------|-------------|
| Active Retirement | 15 | 20 | 21 | 0 | 0 | 56 |
| Deferred Retirement | 51 | 36 | 85 | 0 | 0 | 172 |
| Estimates | 45 | 30 | 432 | 0 | 0 | 507 |
| Deferred Benefits | 41 | 22 | 52 | 133 | 699 | 947 |
| Transfers In & Out | 1 | 6 | 14 | 0 | 0 | 21 |
| Divorce | 2 | 6 | 34 | 0 | 0 | 42 |
| Refunds | 109 | 26 | 1 | 0 | 0 | 136 |
| Rejoiners | 3 | 4 | 10 | 31 | 0 | 48 |
| Interfunds | 5 | 7 | 70 | 0 | 0 | 82 |
| Death Benefits | 77 | 14 | 15 | 0 | 0 | 106 |
| Total | 349 | 171 | 734 | 164 | 699 | 2117 |

- 2.3 Following a review by officers of KPI timescales for neighbouring Authorities against those agreed for the West Sussex Fund, it is considered that these are in broad alignment. This will be further considered when the Government publishes its Good Governance consultation which is expected to include a section in relation to administration standards.
- 2.4 The administration team also 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 to 31 March 2022 and the last twelve months. No new complaints were received over the quarter, however the Council responded to two complaints as a Stage 2 and one complaint within its Internal Dispute Resolution Process, each of which had already been responded to by the administration team and therefore included within the 12-month figures.

Complaints received within the quarter to 31 March 2022 and in the last 12 months

| Theme | No. Complaints (Quarter) | No. Complaint (12 months) |
|--|---------------------------------|----------------------------------|
| Response Time | | 2 |
| Error in pension figures | Escalated to Stage 2 (1) | 2 |
| Delay in retirement benefits | | 1 |
| Unhappy with cheque payment being stopped | | 1 |
| Enrolment Complaint (Employer) | Escalated to Stage 2 (1) | 1 |
| Unhappy with Children's Pensions amounts payable | Reviewed under IDRP (1) | 1 |
| Total | - | 8 |

- 2.5 The team received seven compliments over the quarter, with 24 compliments over the previous 12 months.

Contribution Receipt

- 2.6 All LGPS contributions from the Fund's 206 employers are expected to be received by the Fund on the 22nd of each month following deduction. Since the Committee last met, all employers have adhered to this requirement. However, the Fund does have a clear escalation procedure and this has been used to manage any late payments / none provision of relevant paperwork. The contribution monitor is included at Appendix B.

Promotion of Portal

- 2.7 LGPS members can register for a pensions account on the member portal to view their Annual Benefit Statement, produce retirement estimates and to access and update their personal details. 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. It is anticipated that both sites provide efficiencies for the team and improve the quality of data held by the Scheme.

Number of LGPS Members and Employers registered on the Portals

| | | 31-Mar-21 | 31-Mar-22 | Movement |
|------------------|-----------------|---------------|---------------|----------|
| Active | No. registered | 8,890 | 11,144 | 2,254 |
| | % of membership | 34% | 42% | |
| Deferred | No. registered | 7,339 | 10,025 | 2,686 |
| | % of membership | 21% | 29% | |
| Pensioner | No. registered | 3,379 | 7,765 | 4,386 |
| | % of membership | 7% | 34% | |
| Total | No. registered | 19,608 | 28,934 | 9,326 |
| | % of membership | 24% | 34% | |
| Employers | No. registered | 90 | 144 | 54 |
| | % of employers | 43% | 70% | |

- 2.8 As reported to the Committee in February, the Fund will now stop sending hard copy payslips, P60s and pensioner newsletters and is encouraging pensioner members to register for the Member Portal. The team sent a reminder to all pensioner members in February 2022 and as a result a further 2,548 pensioner members have registered for the Member Portal. In addition, 5,591 pensioners have opted out of the online service and will receive a paper copies of relevant documents.

Numbers of Pensioner members Registered for Portal, Opted Out or not responded as at 31 March 2022

| 31-Mar-22 | |
|-----------------------------|---------------|
| Registered for Portal | 7,765 |
| Opted out of online service | 5,591 |
| No response | 9,684 |
| Total Membership | 23,040 |

3 Administration Performance – Project Work

McCloud Data Collection

- 3.1 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.
- 3.2 One additional employer has provided their return over the quarter meaning that as of 31 March 2022, 202 of 214 data sets had been received, equating to 24,601 members (93% of population). The team continue to engage with those employers who have outstanding data sets.

Pensions Dashboard Programme

- 3.3 On 31 January 2022, the Department for Work and Pensions published their consultation on the Pensions Dashboard Programme. In response the Council:

- Raised concerns about the implementing Dashboards at the same time as the McCloud remedy and proposed that the staging date for the LGPS should not be before the McCloud remedy has been fully complied with
- Highlighted the dependency on employers providing timely information and resolving queries
- Reflected that the scheme would display more than one value, to account for legacy and new schemes, in respect of members affected by the McCloud judgement

4 AVC arrangements

4.1 The Pension Fund put in place arrangements for member Additional Voluntary Contributions with Legal & General. The arrangement has been in place for a year and Hymans Robertson have been asked to complete a review of the competitiveness and effectiveness of L&G as provider for LGPS AVCs.

- L&G are one of the leading DC providers and operate the largest private sector sponsored master trusts for auto-enrolment.
- On 31 March 2022 there were 581 AVC members, an increase of 147 (or 33%) since 1 April 2021.
- The AVC investment options were updated as part of the transfer of AVCs to L&G and as part of this a default option was introduced which adjusted the mix of assets held dependent on a member's age/time to retirement. This option is invested in by 66% of AVC members. The remaining members are invested in the self-select individual funds. The equity and multi-asset funds have all delivered positive returns, while cash and bond funds have been affected by market conditions over the last year. Overall, Hymans consider that the investment options remain appropriate for LGPS AVCs.
- The current administration arrangements between the Fund and L&G are operating smoothly and Hymans have indicated that L&G have made a commitment towards the LGPS AVC market which should provide enhancements to their offering over the next few years.
- Hymans believe that, following the transfer from Standard Life and Utmost to L&G last year, the Fund's AVC arrangements give "Good Value for Members". The Pensions Regulator expects certain defined contribution scheme trustees to complete a value for members assessment which involves self-assessing the quality of the administration and governance received by members. Whilst not a requirement for LGPS Administering Authorities this has been adopted as good practice and has been attached (Appendix C).

5 Breach Reporting

5.1 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.

5.2 Since the Committee met in December there has been one low risk data breach reported, which have been logged through West Sussex County Council's IT

Security Incident Report. The breach was caused by a member's service line being update with another similarly named employer, and subsequently being incorrectly included with that employer's data.

- 5.3 As part of their resilience testing the mains power feed at Hampshire County Council's data centre was deliberately interrupted to simulate a loss of power. During this "black building test", a faulty electrical component sent an Emergency Power Off signal to the battery backup which caused an immediate loss of power to all IT systems. Service was resumed and most services operational within a few hours. As a result, it was concluded that the business continuity arrangements for the data centre were efficient and effective.

6 Other options considered (and reasons for not proposing)

N/A

7 Consultation, engagement and advice

N/A

8 Finance

N/A

9 Risk implications and mitigations

Risks associated with this report are covered within the Business Plan agenda item.

10 Policy alignment and compliance

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.

Katharine Eberhart

Director of Finance and Support Services

Contact Officer: Tara Atkins, Principal Pensions Consultant, (0)330 222 8787, tara.atkins@westsussex.gov.uk

Appendices

Appendix A - Administration Performance Previous 12 Months

Appendix B – Contribution Receipts Previous 12 Months

Appendix C – AVC Value for Money Assessment

Background papers

None

Recommended Training

Hymans LGPS Online Learning Academy – Module 3 – Administration and Fund Management