

Report to Pensions Committee

30 January 2023

Pension Administration

Report by Director of Finance and Support Services

Summary

Pension Administration services have been provided by Hampshire County Council since 4 March 2019. The following are highlighted:

- There were 86,169 member in the Scheme at 31 December 2022 and 216 employers actively contributing.
- Over the quarter 2,033 casework items were completed by the team (with 8,800 caswork items completed by the team over 12 months). All casework items were completed with the service level timescales. At 31 December 2022 786 casework items were in progress with the team, employers, members or other third parties (a reduction from 917 at 30 September 2022).
- 39% of members have now registered to use the Member Portal which allows access to Annual Benefit Statement or payslips, the ability for a member to run retirement estimates and the opportunity to update personal details.
- 72% of employers are registered onto Employer Portal which facilitates the submission of data to the team and allows employers to run early retirement estimates for their employees.
- Most data sets have been received from employers to allow the team to update membership records following the McCloud judgement continues. However the team are limited on their actions until Regulations are in place. From 1 October 2023 onwards, deferred, retirements and deaths (where applicable) must have underpin calculation included in benefit calculation. Timescales for retrospective adjustments are to be confirmed through the Regulations.

Recommendation:

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 work closely with the West Sussex Pensions Team.
- 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.

2 Membership and employer movements

- 2.1 On 31 December 2022 the Scheme had 86,169 members as analysed below.

	30-Sept-22	31-Dec-22	Movement
Active	25,353	25,926	2.3%
Deferred	36,054	36,521	1.3%
Pensioner	23,516	23,722	0.9%
Total	84,923	86,169	2.0%

- 2.2 In addition, there are 5,824 records classified as 'preserved refunds' (5,741 at 30 September 2022). 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. A project is being scoped to provide options to those with preserved refunds in the Scheme.

- 2.3 On 31 December 2022 the Scheme had 322 employers. During the quarter four employers ceased and six employers were admitted.

Employer Status	30-Sept-22	31-Dec-22
Active	214	216
No active members	102	106
Total	316	322

3 Administration Activity

- 3.1 Appendix A has been included which shows LGPS contributions received over the period (up to November 2022 payroll), casework performance, complaints and portal access.

4 Annual Tasks

End of Year Returns

- 4.1 Updates have been provide to the Committee in relation to the performance of the 201 employers who needed to provide an annual return for 2021/22. In total 48 employers were written to requesting that the complete a data validation exercise where there were concerns about their data quality. Half of the employers responded positively to the team. The remainder have been escalated ot the Fund.

Annual Benefit Statements

- 4.2 Although the Statutory deadline for publication of Annual Benefit Statements is 31 August 2022 the team continue to work to resolve issues with employers to

allow as many Statements as possible to be published by the 31 December 2022.

- 4.3 At 31 December, there were 35 active Annual Benefit Statements which could not be published (across 21 employers).

Pension Savings Statement

- 4.4 As at the statutory deadline of 6 October 2022, all required Pension Saving Statements were produced (84). The statement is sent to members who have exceeded the annual allowance and shows the growth in a member's pension benefits in the Scheme and test this against the annual allowance. The Local Government Association subsequently wrote to Administering Authorities recommending that they remind their members who exceeded their annual allowance for tax year to complete the relevant self-assessment reporting. A reminder was sent the week commencing 16 January 2023.

5 Project Work: McCloud

- 5.1 Reforms made in 2015 to the judicial and firefighters' pension schemes were found by the Court of Appeal in 2018 to have been unlawful on the basis of age discrimination. This ruling, known as the McCloud judgment, impacted all main public service pension schemes, including the LGPS. As a result, every member active in a scheme before the introduction of the career average revalued earnings scheme will be eligible for the higher of either their final salary benefits or the Care benefits accrued since these were introduced.

Regulations

- 5.2 A short consultation response was provided in January 2023 by the Director of Finance and Support Services on [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023](#). The response supported the detailed technical response provided by the [Local Government Association](#) and highlighted the clear expectation that the provisions in the Regulations are not be detrimental to individuals tax position, the need for clarity on the additional complexities associated with 'Excess teacher service' and the risks and concerns associated with the continued delay to regulatory amendments.
- 5.3 The Department for Levelling Up, Housing and Communities is to consult on further regulations governing the application of the McCloud remedy to the Local Government Pension Scheme. The Government is expected to publish its response to the 2020 consultation on amendments to the statutory underpin, an updated version of the draft regulations and a consultation on other aspects of the McCloud remedy which did not feature in the original consultation, such as compensation and rates of interest, later this year. It is expected that the Scheme Advisory Board will resume its McCloud implementation groups.
- 5.4 The new regulations are expected to come into force in October 2023.

Data

- 5.5 Employers are statutorily required to provide extra data (hours worked and service breaks) for all members in the Scheme. The data has been requested in two tranches (to 31 March 2021 and then 1 April 2021 to 31 March 2022) to allow the team to apply legislative changes to member benefits extending the

underpin benefits to eligible younger members. The table below summarises progress.

Data Set	1 April 2014 – 31 March 2021	1 April 2021 – 31 March 2022
Deadline	30/06/2021	30/06/2022
Data Sets Received / Required	206 / 214	197 / 213
% of In Scope Membership	94.1%	94.8%

- 5.6 Whilst progress continues with uploading available data, the team have amended their approach due to the complexities of ensuring service and service break information provided by employers is uploaded to the correct pension record. Examples of those complexities are – but not limited to – members who have multiple and/or concurrent memberships; employers changing payroll provider and therefore their employee’s payroll numbers; a member being TUPE’d and earlier service history has not been retained by the current payroll provider or employer.

Additional Scope

- 5.7 The implementation of the McCloud remedy in the Teachers’ Pension Scheme (TPS) now also means that some teachers (part time employment in addition to a full time employment) will be retrospectively eligible for the LGPS for the period from 1 April 2015 to 31 March 2022. The Department for Education (DfE) is in the process of identifying affected members. This issue has arisen because, for some teachers, the part-time portion of their service was not pensionable in the legacy Teachers Pension Scheme final salary scheme but would have been eligible to join the LGPS where their employer offered it (because the LGPS regulations provide for membership if a person is employed by a scheme employer and is not entitled to membership of another public service pension scheme in respect of that employment). The remedy exercise is going to be administratively challenging for both the TPS and LGPS administering authorities (eg. adjusting employee and employer contributions / obtaining data to create LGPS member records / adjustments where benefits are already in payment / transfers back to the TPS).

6 Project Work: Dashboard

- 6.1 An update was provided to the Pensions Committee in November about the establishment of Pension Dashboards to allow individuals to go to a single website and receive details of all the pensions they hold across UK pension providers.
- 6.2 On 24 November 2022, the Pensions Regulator published a consultation on its [Dashboards compliance and enforcement policy](#). Hampshire Pension Services are considering the detail of the consultation before discussing their draft response with pension fund officers prior to the closing date on 24 February 2023.
- 6.3 By 30 September 2024 the Pension Fund must be able to connect to the dashboard and respond to data requests. The expectation is that this will be a

supplementary services within the Partnership Agreement with Hampshire Pension Services.

7 Application of Administering Authority Discretions

- 7.1 The rules of the Local Government Pension Scheme (LGPS) are set out in the LGPS and associated statutory Regulations. However there are some provisions which are discretionary and West Sussex as Administering Authority can choose how, or if, it applies certain provisions of the Scheme. No discretions have been applied over the year to date.
- 7.2 In addition there are some administration processes which are not formal discretions but are still disclosed to the Pensions Committee as they are considered to be more exceptional. The Committee received information at its meeting in July 2022 about the checks and processes in place for due diligence when dealing with pension transfer requests. At the time all transfer requests received had been for a Public Sector Pension Scheme, an authorised Master/Trust scheme on the Pensions Regulator's published list or an authorised Money Purchase Scheme. Over the last quarter one requests did not fulfil these initial due diligence checks and was therefore referred to the Director of Finance and Support Services and Director of Law and Assurance for consideration.

8 Breach Reporting

- 8.1 Since the last Pensions Committee meeting, there has been one data breach relating to incorrect indexing of a death certificate. The importance of checking membership identifiers prior to loading casework has been reinforced to the team.

9 Other options considered (and reasons for not proposing)

- 9.1 N/A

10 Consultation, engagement and advice

- 10.1 N/A

11 Finance

- 11.1 N/A

12 Risk implications and mitigations

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

13 Policy alignment and compliance

- 13.1 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 Activity

Background papers

None