

Report to Pensions Committee

1 November 2023

Pension Administration

Report by Director of Finance and Support Services

Summary

The Pension Administration service has been provided by Hampshire County Council since 4 March 2019. There were 88,210 members in the Scheme on 30 September 2023 and 217 employers actively contributing into the Scheme. This is an increase of 1,003 members and a net decrease of four employers since 30 June 2023.

99.41% of active benefit statements and 99.98% of deferred benefit statements were produced by the statutory deadline (31 August 2023) and all required Pension Savings Statements were published by the deadline (6 October 2023). Other administration activity is set out in Appendix A. The following are highlighted:

- Over the quarter ending 30 September 2023, 1,642 casework items were completed by the team and a total of 8,060 casework items completed by the administrators over the previous 12 months. All casework items were completed with the service level timescales. On 30 September 2023, 844 casework items were in progress with the team, employers, members or other third parties.
- On 30 September 2023, 43% of members had set up an account on the Member Portal which allows them to update personal details, access to Annual Benefit Statements, run retirement estimates or view their payslips online. On the same date, 163 (75%) of employers were registered onto Employer Hub. The Hub allows employers to view pension records for active employees, inform the team about changes in membership, notify of leavers / starters and run retirement estimates.

In terms of employer management, the following are highlighted:

- The Funding Strategy Statement has been updated to reflect the guarantee from the Department for Education for outsourced contracts from academy trusts as set out within the policy paper published by the Department in May 2023. This facilitates the Pension Fund offering pass-through as a risk sharing arrangement for contractors joining the Scheme following an Academy outsourcing.
- The administrative team have reviewed employer performance during the annual return process for timeliness, financial and data quality. Whilst eight employers improved their data quality rating from a red in 2022 to either an amber or green this year, the general pattern is a reduction in data quality. The team are undertaking targeted engagement, training, and mid-year validations with employers to support future improvements.

In terms of project work, the following are highlighted:

- On 1 October, changes to the Regulations to facilitate the McCloud remedy became effective. Currently 7,340 members have been identified as being in scope

for remedy. Guidance is expected from Government on prioritisation for reviewing the cases so that Funds are broadly working to the same timescales. The Fund can process retirements and estimates with the remedy underpin.

- Hymans Robertson has reviewed arrangements with the Fund’s Additional Voluntary Contribution (AVC) provider Legal & General (L&G). Overall, Hymans believes that the AVC arrangements provided by L&G give good value for members and there are no pressing actions needed to improve value for members. The 2023 value for money summary will be published on the Pension Fund’s website.

Recommendation:

1. That the Pensions Committee approves the updated Funding Strategy Statement at Appendix B
2. 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, and it works closely with the West Sussex Pensions Team.
- 1.2 The Pensions Committee has a key objective within its Business Plan to continue improvements in relation to the pension administration service provided to all stakeholders and deliver a high-quality administration service.

2 Membership

- 2.1 On 30 September 2023, the Scheme had 88,210 members as analysed below. Membership and movements from 30 June 2023 have been shown as a comparison.

Member Type	30 June 2023	30 Sept 2023	Movement No.	Movement %
Active	25,870	26,200	+330	+1%
Deferred	37,153	37,499	+346	+1%
Pensioner	24,217	24,511	+294	+1%
Total	87,240	88,210	+970	+1%

- 2.2 In addition, there are 6,047 records classified as ‘preserved refunds’ (5,921 on 30 June 2023). Preserved refunds relate to those leaving the scheme 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.

3 Administration Activity

- 3.1 Appendix A sets out Local Government Pension Scheme (LGPS) contributions received April to August 2023, casework performance, complaints, and portal access during the period to 30 September 2023.

Publication of Annual Benefit Statements

- 3.2 Notification emails to active members informing them that their Annual Benefit Statements were available were sent throughout August. By the statutory deadline of 31 August, 99.41% of statements (25,776) had been produced. The number of outstanding statements at the deadline was 154. This has since been reduced to 117 by the end of September and work is ongoing to investigate on a case-by-case basis with the aim of reducing the number by the end of the year.
- 3.3 By the deadline of 31 August 36,822 deferred annual benefit statements, reflecting 99.98% of the statements required, were published on the Member Portal. The outstanding six statements are being investigated on a case-by-case basis.

Publication of Pension Saving Statements

- 3.4 The team are in the process of finalising the annual allowance position for members who have previously exceeded their annual allowance and for those that have been identified as part of the annual benefit statement process as requiring further investigation. All required Pension Savings Statements were published by the deadline of 6 October.

4 Employer Management

Employer Movements

- 4.1 On 30 September 2023, the Scheme had 325 employers.

Employer Status	30 June 23	30 Sept 23
Active	221	217
No active members	103	108
Total	324	325

The above excludes 21 employers who are in the process of being admitted. These include eleven admitted bodies and ten academy conversions.

Funding Strategy Statement

- 4.2 In May 2023 the Department for Education (DfE) published its [Local Government Pension Scheme Guarantee for Academy Trusts: Pensions Policy for Outsourcing Arrangements](#) policy paper.
- 4.3 The policy provides pension liability cover from the DfE where academy trust employees, who are eligible to be members of the LGPS, are transferred under Transfer of Undertakings Protection of Employment (TUPE) Regulations 2006 from the public sector to the contracting employer. The outsourced contract is admitted to the fund on a pass-through arrangement.
- 4.4 A pass-through contract allows LGPS liabilities to remain with the academy trust, for those employees who transferred to the outsourcing provider. Therefore, their LGPS liabilities are automatically covered within the [DfE LGPS Guarantee for Academy Trusts](#) which has been in place since 2013.

4.5 Following the publication of the policy paper officers, in consultation with the Actuary, have reviewed and updated the [Funding Strategy Statement](#) Appendix 1B – Funding Strategy for Academies and Free Schools to ensure that the approach to academy trust outsourcing is clear and in line with the DfE policy. The updated Funding Strategy Statement extract shows changes highlighted (Appendix B).

End of Year Employer Performance

4.6 The team has received information from employers with active members participating in the Scheme between 1 April 2022 and 31 March 2023 to allow it to reconcile the data, update member records and produce Annual Benefit Statements by the Statutory deadline of 31 August 2023. The data provided by employers is also used by the team to produce Pension Saving Statements for impacted members (required by the 6 October 2023 deadline).

4.7 This year there were 216 active scheme employers on 31 March 2023 and for whom an annual return was due by 30 April 2023 (201 on 31 March 2022).

4.8 As in previous years, the administrative team has reviewed employer performance during the annual return process for timeliness (whether the return was received by the deadline of 30 April, by 31 May, or later), financial control (no, minor or major reconciliation issues) and data quality (no, minor or major reconciliation issues). The information in the chart below will be added to the Annual Report. Overall performance moved more towards green or red ratings, away from amber. Encouragingly there has been an increase in employers rated green across all criteria (92 employers or 42%) but 28 employers moved from a previously green or amber rating for data quality to a red rating this year. In total 23 employers (11%) have received red data quality ratings in each of the past three years. Most of the employers red for data quality are academies and most use an external payroll provider.



4.9 The following action will be taken to address the issues raised at year end:

- A letter will be sent to all scheme employers who rated red in one or more areas with a request that they review their processes to ensure improvement in future years.
- Meetings will be arranged with those employers who have received a red data quality rating over three consecutive years to discuss action to be taken to address the ongoing issue.
- The administration team will engage with external payroll providers to support their understanding of the requirements of the returns and throughout the year.
- Communications will be issued to all employers through the regular newsletter setting out the importance of keeping the administration up to date throughout the year.
- Employer training content will be reviewed to ensure key issues are highlighted for checking/completion before submission.

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 based on 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.

5.2 This is a significant administration task.

5.3 On 8 September 2023 the Department for Levelling Up, Housing and Communities (DLUHC) laid The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 and published its response to the most recent McCloud consultation. The regulations implement the McCloud remedy and change the existing underpin to ensure it works effectively and consistently for qualifying members. The regulations came into force on 1 October 2023 and apply retrospectively to 1 April 2014.

5.4 To date, 209 of the expected 214 returns from employers (which amounts to 170,503 lines of data) have been received. Initial checks have been completed on 208 of these.

5.5 Currently 7,340 members have been identified as being in scope for Remedy. This includes 133 deceased members and 263 members who have transferred out of the Fund. The remaining members are all current members of the Fund.

5.6 Guidance is expected from Government on prioritisation for reviewing the cases so that Funds are broadly working to the same timescales.

5.7 The anticipated software update was delayed and therefore the team was not able to carry out as much preparation for the regulations as hoped. However, the team continues to collect information from employers on an individual

member basis (e.g. on the leaver or estimate form) and the Fund will therefore be able to process retirements and estimates with the remedy underpin.

- 5.8 The team will continue to load data onto records so that it can produce service information with the 2024 annual benefit statements for members to start checking that the new data is accurate. It is considered that this will put the Pension Fund in a strong position to comply with the production of remedial service statements in 2025.











6 Project Work: Dashboard

- 6.1 The Government led "Pension Dashboard" project is intended to allow individuals to go to a single website and receive details of all the pensions they hold across UK pension providers.
- 6.2 The original connection deadline for Public Sector schemes was 31 October 2024, but in March 2023, the Department for Work and Pensions announced delays and a reset of the programme as part of refreshing its delivery plan for a new connection deadline for all schemes of 31 October 2026.
- 6.3 Additional guidance is expected, which should set an expectation of when public sector schemes should connect, rather than waiting until the final deadline. The 'dashboard available point' (DAP) is to be determined but will be communicated 6 months in advance to allow schemes to prepare.

7 Project Work: AVC Review

AVC Provider Review 2023 Legal & General

- 7.1 Under the Regulations, an active member can pay additional voluntary contributions ("AVCs") or to contribute to shared cost additional voluntary contribution arrangements ("SCAVCs") in respect of an employment. These arrangements must be established by the Administering Authority with a body approved for the purposes under the Finance Act 2004(1) ("the AVC provider").
- 7.2 The West Sussex Pension Fund moved its AVC provider from Standard Life and Utmost (Equitable Life) in March 2021 to Legal & General (L&G), following a market review. Some AVC investments were retained with Standard Life because the potential costs of moving funds could outweigh the benefits of moving to L&G for members nearing retirement. West Sussex County Council was the first Administering authority to appoint L&G as its AVC provider. Since 2021 L&G has been piloting the development of an AVC proposition more specifically for the LGPS market. One other local authority recently completed a transfer of its AVCs to L&G and work is in progress with another.
- 7.3 Hymans Robertson has undertaken an annual review of the arrangements with L&G and consider that it remains a competitive and effective provider.
- 7.4 Hyman's value for money summary is set out below, with a comparison to the 2022 assessment. The value for money summary considers charges along with the quality and suitability of the AVC arrangements. The weightings for each aspect reflect Hymans' consideration of the likely contribution to good outcomes for members. Overall, Hymans believe that the AVC arrangements provided by L&G give Good Value for Members and there are no pressing actions needed to improve Value for Members. The 2023 value for money summary will be published on the Pension Fund's website.

Service	Weight	2022 Rating	2023 Rating	Comment
Costs and charges	30	 Excellent	 Good	<p>Charges are deducted from members' funds pay for L&G's investment, administration, and communication services. Members also bear the funds' transaction costs, which are implicit in the funds' unit prices.</p> <p>Initially members saw a reduction in charges, typically in the region of 0.30% p.a. when AVCs were moved from Standard Life to L&G. The current charges of 0.48% to 0.57% are competitive in comparison with other LGPS AVC schemes.</p>
Investment	40	 Good	 Good	<p>Members can invest in the L&G Lifestyle Option (the default fund designed for LGPS AVCs, targeting members taking their AVCs as a cash lump sum when they retire) or in one or more of the twelve available L&G Self Select Funds (which are mostly passively managed and cover the main asset classes (except property)). Several ESG and climate change aware funds are used in both the growth and consolidation phase of the lifestyle option and self-select fund range.</p>
Admin	15	 Average	 Good	<p>L&G provide satisfactory administration, which has received positive feedback.</p>
Comms	10	 Good	 Good	<p>L&G provide investment guides specific to the Fund's AVC arrangements and all members can manage their AVCs on-line.</p>
Governance	5	 Good	 Good	<p>An annual "health check" of the AVC arrangements is in keeping with TPR guidance.</p>

7.5 Whilst Hymans believes an appropriate number of investment choices for most members are provided by the Pension Fund, it has recommended that the Pension Fund considers making changes to the self-select fund range next year as part of a more detailed review of the AVC arrangements, to take advantage

of any enhancements (such as ESG and climate change factors, or illiquid assets/private markets).

Standard Life

- 7.6 In addition to the arrangements with L&G, the Pension Fund also maintains Standard Life as an AVC Provider for 4 members. These members were given the opportunity to stay with Standard Life as they were expected to retire by 2023, because the potential costs of moving funds could outweigh the benefits of moving to L&G for a limited period. Standard Life Assurance Limited and Standard Pension Funds Limited are now planning to transfer all their policies to Pheonix Life Limited in October 2023, subject to approval by the High Court. Acknowledging that there is benefit in closing the arrangement with Standard Life it is proposed that the Pension Fund writes to the members to advise that the Funds will close. Legal advice will be sought on the reasonable timescales for this.

8 Application of Administering Authority Discretions

Discretion Decisions

- 8.1 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.
- 8.2 No discretions have been referred for an Administering Authority decision during the latest quarter.

9 Breach Reporting

- 9.1 Since the last Pensions Committee meeting, there have been no data breaches notified.

10 Other options considered (and reasons for not proposing)

N/A

11 Consultation, engagement, and advice

N/A

12 Finance

N/A

13 Risk implications and mitigations

Risks associated with this report are set out in the risk register for the Pension Fund which is part of the Business Plan at agenda item 6.

14 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.

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Appendices

Appendix A - Administration Activity

Appendix B – Updated appendix 1B of the Funding Strategy Statement

Background papers

None