

**REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND
EMPLOYEES.****LOCAL GOVERNMENT PENSION SCHEME – TRANSFORMING PENSION
ADMINISTRATION UPDATE REPORT****Purpose of the Report**

1. To update members on the delivery of the key aims of the “transforming pension administration through digital development and new ways of working programme”.
2. To seek approval from members for the funding of the move of Civica UPM to a hosted environment and the associated resource.

**Information
Background**

3. Committee is aware from previous reports that pension administration is changing nationally, and in the LGPS with changes to Regulations, and with the requirements and scrutiny of the Pension Regulator. The introduction of the Regulator’s new single code of practice and the proposed administration key performance indicators further support the delivery of the ongoing transformation work that is underway. This is being delivered by the delivery of a range of digital services which include increased automation, significantly reduced manual inputting and amending of member data, ensuring that scheme employers fulfil their responsibilities within the fund and for scheme members to be able to access their pension record 24/7.
4. Following approval by Pension Committee in 2019, the Pension Administration Service set out the key aims of its “transforming pension administration through digital development and new ways of working programme. These are as follows –
 - a. Through **improved data quality and increased automation move towards “administration by exception”**. Ensuring the right people are doing the right tasks at the right time. Enabling our skilled administrators to concentrate on dealing with complex issues, whilst the automation takes care of the very day-to-day tasks where possible.
 - b. **Provide Scheme Employers with portal access** to upload validated data, removing paper and manual input into Civica UPM where at all possible and supporting Employers in fulfilling their duties under the Pension Administration Strategy

- c. Improve the management and transition of member and financial data through the **deployment of monthly returns** rather than a yearly return. This would support auto loading and processing of new starters, changes, and leavers to enable cost efficient and transparent processing.
 - d. **Provide Members with self-service** access to enable them to maintain their personal data, review their pension benefits and communicate with the Fund.
 - e. **Support the Fund to meet increasing regulatory requirements and standards on reporting** for example, the Pension Regulator requirement for Funds to improve the quality of their data and the expectation that Funds enable Scheme Employers and Members to interact with the Fund via digital platform.
5. Whilst progress has continued to be made with the data audit and improvement workstream, this being the key foundation of the transformation programme, the overall programme's progress has been impeded by a number of key issues over more recent times, for example:
- The impact of the pandemic during 2020 through to 2022
 - The delivery of national projects such as Guaranteed Minimum Pension, McCloud, and initial work on national pension dashboards.
 - A significant increase in the volume of requests for deferred benefits and active retirement quotes and crystallisation of pensions into payment as a result of the pandemic and the cost-of-living crisis.
 - Turnover of experienced pension administration officers and issues in recruiting to both vacancies and additional resources within pension administration.

However, since June 2023, work has been undertaken to refresh and drive forward the required changes to deliver the digital transformation. The following provides the Pensions Committee with an update on delivery against the key aims of the programme.

Improved data quality through data audit and improvement

6. Good quality data is a critical element in the success of digital transformation. The Pension Regulator requires all Funds to maintain accurate records. Data improvement is a continuous process and not a one-off exercise. The Fund's engagement with data improvement does not end once its improvement plan is delivered. Without good quality data, administrators are unable to process requests from scheme employers or members. Continual issues with poor quality and missing data provided by scheme employers impacts funds in several ways including reputational risk and fines from the Pension Regulator, and valuation risks, which affect members and impact on administration.
7. The programme has invested considerable time and resources in the data audit and improvement workstream. Since this activity started the Fund has been required to respond to a number of external projects, all of which have a foundation in "collecting specific data" –
- a. GMP Reconciliation project
 - b. McCloud Court of Appeal judgement regarding age discrimination
 - c. Initial activity to support the delivery of the National Dashboard system. This national project has been delayed and the Fund's revised staging date is now September 2025.

8. The “behind the scenes” activity of the data audit and improvement has supported the Fund to achieve a significant improvement in its data scores since 2020. During the last 12 months the data improvement activity has been light touch due to the focus being on the final stages of the GMP reconciliation project and data gathering for the McCloud project.
9. As part of the audit improvement phase a series of bulk data improvement (BDIs) tasks have been developed. The project agreed to postpone the running of the final fix, as this requires the implementation of the Service BDI, which would overlap with the data cleanse work being undertaken with employers for McCloud. The McCloud data returns are scheduled to be loaded into Civica UPM in mid-December, following the implementation of the required software module. Once completed this will then result in a further run of the data audit and application of the service BDI to address appropriate Data Validation Failures (DVs). Any remaining data errors will then be sent to individual scheme employers to address.
10. The following table details the progress achieved since the baseline data validation check (DVs) figures were taken in September 2020. As can be seen in the table, 57% of the current scheme membership of 148,928 have passed all DVs. Together with the 48,984 members with between 1 and 3 amendments this covers 90% of the current scheme membership.

As at Sept 2020 Nos of Members	As at Nov 2021 Nos of Members	As at Nov 2022 Nos of Members	As at Nov 2023 Nos of Members	DV passed not	Total progress from September 2020
24,035	66,036	82,343	84,314	Passed all DVs	An increase of 60,279 (57%) of members passing all checks
56,658	56,668	46,835	48,984	1-3 amendments required	A reduction of 7,674 members
26,825	11,388	10,336	11,190	4-6 amendments required	A reduction of 15,635 members
13,507	2,608	2,663	2,978	7-9 amendments required	A reduction of 10,529 members
13,408	1,339	1,172	1,462	10+ amendments required	A reduction of 11,946 members
134,433	138,039	143,349	148,928		An increase of 14,995 members being included in the Data Audit.

11. Against the baseline of September 2020 where 53,740 members had between 4 and 10+ data errors, as at November 2023, only 15,630 members now have this range of data errors.
12. However, this year’s Pension Regulator Annual Data Return figures show that common data has remained static over the last 12 months and the scheme specific data score has fallen

slightly, this is due to both an increase of 14,995 members in the November 2023 audit run and the fact that the final fixes detailed in paragraph 9 have been held back due to the focus on GMP and McCloud. Once the final fixes are applied it is expected that both scores will increase further.

	Sept 2020	Sept 2021	Oct 2022	Nov 2023
Common Data	73%	84%	87%	87%
Scheme Specific Data	41%	54%	64%	63%

13. The Fund will be reviewing its Pension Administration Strategy and will be developing a section to report on Scheme Employers' performance against their responsibilities on an annual basis. This will include details of data quality maintenance by Scheme Employers, as informed by periodic data quality dashboards, adherence to LGPS Regulations, Scheme Employer Responsibilities, and breaches.

Increased automation leading to administration by exception.

14. The data audit and improvement workstream has reached a point where the project is confident to progress work on the development of individual process automation (IPA). The project has worked with Civica to develop a process to initially automate the deferment process to allow for "straight through processing" if the record successfully completes a series of validation checks.
15. The IPA process runs a series of validation checks against either an individual or batch of members which require a deferment process completing. These basic checks are to ensure that the member meets the automation eligibility criteria and has all the essential data on the record to process the deferment.
16. Any processes that fail validation will be treated as "administration by exception" and be returned to a work tray for review by a Pension Administrator. Once the review is completed the record will then be passed back into the automated process. However, the Pension Administrator will also have the option to complete a manual deferment process.
17. Eligible records then undergo a further set of pre calculation validations, to check that all the essential data is on the record to process the deferment, for example service details, contributions and pay details. Again, these checks will determine if the record can pass to the next stage of the automated process or be passed out to a Pension Administrator for review.
18. The final stage of the automated process will perform the deferment calculation, update the relevant fields on the members record and generate the deferment letter to be sent out to the member. Post validation checks determine if the process needs manual authorisation using pre-determined conditions, for example where the member's pay is at a particular level and the member would be entitled to substantial deferred benefits. Work is also underway to look at the members communication channel preference and would look to drive distribution via email.
19. The IPA proof of concept is being run in the UPM Train environment. Successful cases within this environment will be passed through to the live system, processed and the actual letter sent out to the member. The IPA will be run against outstanding deferment processes, and leavers

notified through this year's annual return from scheme employers to the Fund. It is currently planned that the automated deferment process will be fully productionised by the end of March 2024 at the latest.

20. The next phase of process automation would include requests for deferred benefit quotations into payment and refunds.

Provide Scheme Employers with portal access

21. As stated in paragraph 15 the data audit and improvement project, as well as reaching a point to progress the process automation project, has also meant that the scheme employer portal project can be re-started.
22. The Employer Web version of the Scheme Employer Portal went live with the largest scheme employer, Nottinghamshire County Council in July 2020 and was then deployed to several other scheme employers including Gedling and Rushcliffe Borough Councils. Rollout to other scheme employers was put on hold during the pandemic and the Pension Office has concentrated its resourcing on the data audit and improvement workstream.
23. Civica have redeveloped the existing Employer Web module replacing it with a new self-service Employer Hub. As well as still allowing employers to submit data files for the processing of new members, the hub also lets them load data and financial information for members and respond to queries from the Pensions Administration Team. The existing functionality is being further enhanced enabling information about the scheme employer as well as its LGPS employees to be available via the employer hub. This will mean that the Fund has one single repository for all scheme employer details and will no longer need to maintain a range of spreadsheets outside of the UPM system.
24. The new self-service Employer Hub will go live at the end of January 2024. The Pension Systems Team are working closely with the Council's ICT Service and have completed all the necessary due diligence checks. Work is also in progress to update the original Data Protection Impact Assessment for sign-off by the Information Governance team.
25. Once the Employer Hub is live, existing users of the Employer Web scheme will be moved over. This activity will be led by the Employer Support and Compliance Team. This team will also lead the rollout to all other scheme employers, before moving to the deployment of monthly returns.

Deployment of monthly returns

26. The existing "Employer Web" of scheme employers will be the first to move from the annual return to monthly returns. Again, it is a requirement of the Pension Regulator that all scheme employers are moved by their Funds to monthly data returns as has been the case for the Teacher Pension Fund for many years.
27. The Fund has also taken account of discussions with other LGPS Funds that have rolled out the employer hub and monthly returns to their scheme employers. They have stressed the importance of completing a data audit and improvement exercise prior to a move to monthly returns.

28. Monthly returns are predicated on the use of the portal as the secure mechanism for the submission of updates to the fund on joiners, changes of details and leavers.
29. As can be seen from the above – the ongoing data audit and improvement activity links into the scheme employer's hub which links into the monthly data return which in turn feeds the automation of everyday tasks where possible. This drives the move of the pension administration service to release capacity enabling our skilled administrators to concentrate on dealing with complex issues.
30. It is anticipated that the rollout of monthly returns will take in the region of 12 months.

Hosting Civica UPM

31. Nottinghamshire Pension Fund currently operates the UPM application within the County Council's 'on-premise' Data Centre environment. To align with the County Council's corporate "Journey to the Cloud" programme the Fund plans to migrate the UPM application to operate within Civica's Microsoft Azure Cloud Hosting environment.
32. The rationale for moving to operate the Civica UPM platform via a secure Microsoft Azure cloud environment is that it will provide pension administration with increased resilience due to access being provided via two UK based data centres, de-risk availability of the Council's ICT resources and help future proof the Fund's digital presence.
33. The hosted service scope will include support, monitoring together with release and upgrade management scheduled throughout the year. The Fund's online presence will increase significantly over the coming 12-18 months with the deployment of the new employer hub, rollout of monthly returns and the launch of the national dashboards. The hosted service will provide 24/7/365 services hours and service availability of 99%
34. This move will also enable the Fund to work with Civica in the future on exciting technologies such as biometrics to build an even stronger digital platform for our pensions administration service in the future.
35. The investment required to move to the hosted environment is detailed in the table below. The hosting contract will be aligned to the main Civica contract currently in place.

Year	Setup costs	Ongoing annual hosting costs	Total
1	£58,725	£132,028	£190,753
2 onwards		£132,028	£132,028

Resources

36. Recruitment into the Pension Administration Team has been challenging. This issue is being experienced by several Administering Authorities. Leavers have in general been due to retirement. This has created a number of opportunities for existing team members to seek promotion. For the Fund this means retaining some of its experienced staff. There has also been some internal movement from within the Business Services Centre over the last 2 years into the Pensions Team.

37. It has proved almost impossible to recruit experienced pension administrators externally. However, the team have recently been successful in recruiting 4 apprentices who will undertake the Pension Administrator apprenticeship. Apprentices who successfully complete their apprenticeship are guaranteed a permanent post. This will provide the Fund with an opportunity to “grow its own”. There are also ongoing discussion with the Local Government Association to design and offer an LGPS pension administrator apprenticeship.
38. One of the key outcomes from the transformation programme is to move the administration team away from a one-to-one relationship when processing tasks to a one to many. Over time this will see the release of experienced pension officers from day-to-day tasks to enable them to work on the more complex activities such as pension into payment and death processes.
39. Delivery of the transformation programme will inevitably require a review of the structure of the Pension Administration Team to ensure it is fit for purpose in the new digital way of working. Data is a vital part of the administrative function and consideration will need to be given to a “Data Team” as other LGPS administration teams have done.
40. Systems are at the forefront of our new digital ways of working. In July 2021, Pensions Committee approved temporary funding for 2 years for additional resources to support the delivery of McCloud. This report also stated that the tenure of posts would be kept under review. One of these posts was an additional pension system team functional support officer. This post has been recruited to and whilst supporting McCloud has also undertaken a range of other system related activities which link into the transformation programme. This report seeks approval for the permanent funding of this additional functional support officer to ensure that the appropriate level of resourcing is within the Pension Systems Team to support the administration team.

Post Title	Nos of posts required and grade	Cost per annum (shown at the top of grade) including oncosts
Pension System Team Functional Support Officer	1 x Grade 5	£41,400

41. Following funding approval from Pension Committee, it is proposed to seek the appropriate delegated decision to establish the post on a permanent basis.

Other Options Considered

42. The Pension Administration Service could continue to operate as it currently does but this is not considered a viable option given both the increasing legislative demands and increasing number of scheme employers, members, and their expectations in this digital age.

43. Without the development of digital platforms for Scheme Employers and members to interact with the Fund, consideration may have to be given to increasing the number of pension administration staff.

Reason/s for Recommendation/s

44. For the Nottinghamshire Pension Fund to be able to meet ongoing statutory responsibilities, increased expectations of members and scheme employers to interact with the Fund online and via self-serve it is imperative that the Fund transforms its service offer ensuring that it is cost efficient and effective and meets its regulatory and statutory requirements.

Statutory and Policy Implications

45. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public-sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability, and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Data Protection and Information Governance

46. The project has completed both an overall high-level Data Privacy Impact Assessment for the transformation programme as well as more detailed individual DPIAs were required. These will be kept under regular review as the work of the programme progresses.

Financial Implications

47. The financial implications are covered within the body of this report at paragraph 35 and 40.

RECOMMENDATION/S

It is recommended that the Members:

- 1) Note the update on the delivery of the key aims of the “transforming pension administration through digital development and new ways of working” programme.
- 2) Approve the setup and ongoing funding for the move to a hosted environment.
- 3) Approve the ongoing funding for the Functional Support Officer within the Pension Systems Team.

Marjorie Toward

Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Sarah Stevenson, Group Manager Business Services Centre on 0115 9775740 or sarah.stevenson@nottscg.gov.uk

Constitutional Comments (KK 04/12/2023)

48. The proposals in this report are within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (KRP 04/12/2023)

49. The costs of the setup and ongoing support for the hosted environment and for the Functional Support Officer are set out in the report. These costs are a valid charge to the Pension Fund.

HR Comments (JP 04/12/2023)

Any HR implications are contained within the body of the report. It is noted that a further decision will be required to establish the identified post on a permanent basis.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- LGPS – Transforming Pension Administration – 18 July 2019
- LGPS – Transforming Pension Administration – 12 September 2019
- LGPS – Transforming Pension Administration Update Report – 10 September 2020
- LGPS – Transforming Pension Administration Update Report – 4 November 2021
- LGPS – Transforming Pension Administration Update Report – 8 December 2022

Electoral Division(s) and Member(s) Affected

All