

12 October 2023**Agenda Item: 4****REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND
EMPLOYEES****LOCAL GOVERNMENT PENSION SCHEME (LGPS) – PENSION
ADMINISTRATION PERFORMANCE REPORT****Purpose of the Report**

1. The purpose of the report is to inform the Nottinghamshire Pension Fund Committee of the work of the Pension Administration Team for the period 1 April 2022 to year ending 31 March 2023.

Information and Advice**Background**

2. The LGPS is a statutory scheme with regulations made under the Superannuation Act 1972 and the Public Service Pensions Act 2013. The LGPS is a defined benefits scheme based, since 1 April 2014, on 'Career Average Revaluated Earnings' (CARE). Members benefits are determined strictly in accordance with the scheme regulations and are not affected by the value of Fund assets. Where members joined the scheme before 1 April 2014, protections are in place for their benefits to be based on accrued scheme membership to that date and their full-time equivalent pensionable pay at retirement.
3. One of the principal areas of focus across the Local Government Pension Scheme is always the performance of scheme employers providing their statutory data to Administering Authorities in a timely manner to enable the updating of member records. The Scheme Advisory Board along with the Local Government Association continues to highlight this matter.

Pension Benefits Administration

4. The Pensions Office undertakes the administration of the pension benefits of the scheme members against the regulations of the Local Government Pension Scheme, and the administration broadly comprises of:
 - Maintaining a database of:
 - Active members (i.e.) contributors
 - Pensioners, including widows, widowers, and dependants.
 - Those with deferral benefits that will become payable in the future.

- Providing Annual Benefit Statements to active and deferred scheme members
- Providing estimates of benefits
- The calculation and payment of retirement benefits
- The calculation and payment of transfer values to other schemes
- Processing transfer values from “club” and local government schemes
- Providing valuations, a splitting of pensions in divorce cases
- Communicating with employers and scheme members on scheme changes and pensions issues
- Onboarding new scheme employers
- Supporting employers to carry out their responsibilities under the LGPS Regulations
- Reconciling employers’ monthly and annual contribution rates
- Providing pension savings statements to scheme members as appropriate.
- Providing data for triennial valuations and the annual FRS102 for all but large bodies who report in accordance with AIS19.
- Replying to questions and issues raised by scheme members and employers.
- In addition, the office also undertakes some of the employer related work of the LGPS on behalf of Nottinghamshire County Council

The Fund is undertaking several related statutory projects which require the collection, checking and the rectification of records. Separate reports have been provided to committee on these activities. These being:

- The McCloud national project
- GMP Reconciliation

5. The current Pension Team structure comprises the following:

- a. Pensions Administration
- b. Employer Support and Compliance
- c. Technical/Communications
- d. Technical/Performance
- e. Temporary McCloud Project establishment

6. The following table details the Pension Administration establishment and occupied posts. There have been several staff movements during the 2022-2023 Financial Year, this has included the recruitment of four new members of staff in October 2022 who are currently undergoing a training programme. Given the complexity of the LGPS regulations it takes time for new members of staff to be trained up to the required standard. The training programme involves “on the job training” and attending some external residential training events arranged by the LGA. The new members of the team also have a “buddy” nominated from our existing team to provide one-to-one support through their training.

7. Following approval by Committee in July 2021 several temporary posts were established to support the pension team to respond to the McCloud National Project which will require the recalculation of member benefits. All posts have been advertised but it has proved difficult to appoint due to the labour market. All LGPS funds are reporting some difficulty in recruiting staff, and this is being monitored by the Local Government Association.

	Establishment	As at 31.03.2021	As at 31.03.2022	As at 31.03.2023
Pension Team	26.20	25.77	23.18	27.33
Pension System Team	4 FTE This includes 1 FTE FTC for McCloud	3	4	4
GMP Project Manager (Temporary post until 31.12.22)	1	1	1	1
McCloud Project – all posts current offered as fixed term contracts for 2 years				
Project Manager	1	1	1	1
Data Officer	1	N/A	1	1
Admin Team	7	N/A	0	1
Employer Support & Compliance	1	N/A	0	1
	40.2	30.77	30.18	36.33

8. Due to the current number of vacancies and with a view to succession planning, the fund is currently advertising for three apprentices to undertake the 18-month Pension Administrator apprenticeship scheme leading to professional qualifications and a permanent post should they on the successful completion of the scheme. In time the council plans to offer the apprenticeship to existing members of the team.
9. It can also be reported that the LGA has established a National Working Group on the development of a specific LGPS apprenticeship qualification.
10. The Pension Team are also supported by several other teams within the Business Service Centre (BSC) whose work is recharged to the Pension Fund these include –
- The Business Hub Team who undertakes a range of clerical and administrative tasks on behalf of the Pension Administration Team.
 - The Authority's Payroll Service who processes the monthly Pensioners Payroll on behalf of the Nottinghamshire Pension Fund.
 - BSC Security and Authorisation Team who are undertaking several activities to support the Employer Portal rollout.
11. The total cost of administration expressed as a cost per member for the past five years is shown in the table below –

£ per member	2015	2016	2017	2018	2019	2020	2021	2022

The Fund cost per member	£15.93	£11.18	£14.23	£13.59	£14.37	£14.08	£14.08	£15.35
Average cost per member in the benchmarking club	£18.73	£18.69	£20.14	£21.85	£21.34	£20.02	£21.05	£21.69

Data Quality

12. The Pensions Regulator has continued to raise concerns across the LGPS Funds relating to data quality and the need for improvement. The Regulator requires all Funds to maintain accurate records. The Fund is required to have a data improvement plan as specified by the Regulator. Failure to do so can put the Pension Fund at risk of failing to meet its legal obligations, and the Regulator will take enforcement action where schemes are not meeting the standards expected or taking appropriate steps to improve pension records.

13. Data is important to the Administering Authority for several reasons, the main reasons being:

- a. Members are paid the pensions to which they are entitled.
- b. Employers' costs are reliable/correct.
- c. Investment and administration costs are reliable/correct.
- d. Fund valuations reflect true costs/ liabilities of the fund.
- e. Cost effective administration – less queries.
- f. Reduce Internal Dispute Resolution Procedure cases.
- g. Avoid the Pensions Regulator
- h. Maintains the scheme's reputation.

14. Members will be aware that the pension fund has an Administration Strategy which provides a framework for the management of scheme employers' responsibilities to ensure that the Administering Authority receives accurate data in a timely manner. Included in the Administration Strategy is a service level agreement, which is designed to enable the monitoring of activities, undertaken by scheme employers and the Administering Authority.

15. The Administration Team is continually updating records, chasing employers, and reminding members of the scheme to update the Fund of changes of personal circumstances, e.g., changes of address.

16. To meet the requirements set out by the Regulator, the Fund reported the following:

	2019 Accuracy	2020 Accuracy	2021 Accuracy	2022 Accuracy
Common Data	59%	76%	85%	87%
Conditional/Scheme Specific Data	60%	43%	54%	64%

- **Common data** – Common data is the basic information which every scheme should hold for each member, such as name, address, and date of birth. It is the information that identifies their benefits and allows the scheme to stay connected with them.
- **Conditional/Scheme specific data** – This is the data used for calculating pension benefits.

17. The Data Audit and Improvement workstream approved by Pension Committee in September 2019, is progressing into its final phase. This activity now enables the pensions administration team to measure data more accurately. The final phase requires internal data rectification, along with some data being rectified at source with the scheme employers. The work has highlighted changes in our data scores with an increase in common data accuracy. Following an initial decrease in the conditional/scheme specific data score, this too has increased following the initial application of a range of rectification routines.

Pension Fund Membership Statistics

18. On 31st March each year, the Administering Authority reports a set of figures that identify the number of members within the fund under certain categories. These figures are used to populate the fund's annual report, along with other statistical reports including the Office of National Statistics, the Pension Regulator Scheme Return, and the Cipfa Benchmarking report.

19. The following table details the membership of the Fund against each category and sets a context to the size of the fund.

Type of Member	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Active Members	44,436	46,350	47,841	43,957	44,299	45,758
Deferred members	46,448	47,365	56,068	60,935	62,501	65,212
Pensioners	35,245	37,157	38,923	40,481	42,715	44,732
Total Membership	126,129	130,872	142,832	145,373	149,515	155,702

20. In addition, it is important to understand the context of the number of employers in the Fund as this increases the complexity of managing the collection of data from different employers.

The following table gives a breakdown of the employers in the scheme. The headline figure in the table shows a net increase of twelve employer bodies which are due to new admission bodies, but there has been a reduction in the number of active employers to 295. The Fund is continuing to consolidate academy trust schools into single employers. This trend will continue as academies continue to consolidate, and we anticipate further requests to the Secretary of State for other academies to transfer in and potentially out of the Fund. There is an advantage to the Fund for Academy Trusts to consolidate as it reduces complexity of administration along with reducing costs due to economies of scale.

21. The table (below) also shows the movement of employers in the Fund with employers withdrawing from the scheme, as they no longer have any active members of the scheme, which drives an employer closure.

	2021	2022			2023		
	as at 31/03/21	Number Joined	Number Leaving	as at 31/03/22	Number Joined	Number Leaving	as at 31/03/22
Scheduled							
Local Authorities	9	0	0	9	0	0	9
Academies	153	7	17	143	8	0	151
Others - active	54	0	1	53	1	1	53
Others - closed	114	19	1	132	1	0	133
Total Scheduled	330	26	19	337	10	1	346
Admitted							
Admission	54	5	3	56	16	8	64
Others - active	22	0	2	20	0	2	18
- defunct	102	5	0	107	10	0	117
Total Admitted	178	10	5	183	26	10	199
Total	508	36	24	520	36	24	545
Active employers	292			281			295

The following is a list of new scheme employers 2022-2023

Scheme employer	Type of employer
Q3 Services Group Limited	Admitted - Admission
Aspens Services Limited (OLOL)	Admitted - Admission
LTA Services Limited	Admitted - Admission
South Laverton Parish Council	Schedule 2-part 2
Nottinghamshire Sexual Violence Support Services Limited	Admitted - Admission
Nexus Multi Academy Trust	Schedule 2 part 1 - Academies
Cotgrave Church of England Primary School	Schedule 2 part 1 - Academies
Vertas Group Limited (Diverse Lot 1)	Admitted - Admission
Vertas Group Limited (Diverse Lot 2)	Admitted - Admission
Serco Leisure Operating Limited	Admitted - Admission
Aspens Services Limited (Creative - Bulwell)	Admitted - Admission
Aspens Services Limited (Transform)	Admitted - Admission
FSM Centres Limited	Admitted - Admission
Coombs Catering Partnership Limited	Admitted - Admission
Brunts Academy (GAT)	Schedule 2 part 1 - Academies
Bramble Academy (GAT)	Schedule 2 part 1 - Academies
Huthwaite All Saints Church of England Infant & Nursery School	Schedule 2 part 1 - Academies
Selston Church of England Infant & Nursery School	Schedule 2 part 1 - Academies
Millside Spencer Academy	Schedule 2 part 1 - Academies
Mellors Catering Services Limited (TCT)	Admitted - Admission
Gamston St Peter's C of E Primary School	Schedule 2 part 1 - Academies
Aspens Services Limited (Meden)	Admitted - Admission
Our Learning Cloud Limited	Admitted - Admission

Hi Spec Facilities Services, Limited	Admitted - Admission
Accuro FM Ltd (GNET)	Admitted - Admission

The following is a list of exiting scheme employers 2022-2023

Scheme employer	Type of employer
Nottinghamshire County Scout Association	Community body
Bassetlaw Citizens Advice Bureau	Community body
Mansfield District Leisure Trust Ltd	Admission - Transferee
Tarmac	Admission - Transferee
Streetwise Environmental Ltd	Designating body
Bulloughs Cleaning Services Ltd	Admission - Transferee
Compass Contract Services (UK) Limited (Leamington)	Admission - Transferee
Pedal Express Limited	Admission - Transferee
OCS Group UK Ltd (Project co 2)	Admission - Transferee
Capita IT Services (BSF) Limited - Bulwell	Admission - Transferee
Nottinghamshire Sexual Violence Support Services Limited	Admission - Transferee

Complaints and Internal Dispute Resolution Procedure Appeals

22. Set out below are two tables which provide details of the number of formal appeals received by the Administering Authority in 2022-2023. These are appeals at stage 1 and stage 2 of the Internal Dispute Resolution Procedure process along with the number of appeals that the Administering Authority is aware of that have been submitted to the Pension Ombudsman in respect of cases escalated following the two-stage adjudication process.

Last year Committee was advised that the fund continued to receive subject access requests made by claims companies seeking information relating to members who transferred their benefits out of the Pension Fund in past years. In 2020/21 the scheme received seventeen against fourteen for 2021/22. However, 2022/23 has seen no subject access requests from claim companies, and none of the claims that were made in the previous years have been taken forward following a robust response from the fund. However, the fund has reviewed its processes so that they are robust and in accordance with the regulations.

Independent Disputes Resolution Procedure (IDRP)

IDRP -Stage 1 Appeals against the Administering Authority and Employers 2022-2023

Total	Appeals upheld	Appeals dismissed	Progressed to stage 2	Awaiting Decision
5	2	3	2	0

IDRP - Stage 2 Appeals against the Administering Authority

Total	Appeals upheld	Appeals dismissed	Progressed Ombudsman	Awaiting Decision
3	2	0	Not Made aware	1

Pensions Administration System

23. The Pension Administration system used by the Nottinghamshire Pension Fund is the Universal Pensions Management (UPM) system, provided by Civica UK. UPM was implemented in 2015 and is an 'on premise' system with the servers located at the County Hall Data Centre and the Node 4 site in Derby, for resilience. The infrastructure is managed by Nottinghamshire County Council ICT and regular co-ordination with the Pensions Systems team. Maintenance and upgrades are undertaken on a regular basis to ensure the system remains compliant. All new developments and upgrades from the software supplier are evaluated, assessed, and deployed in line with the requirements of the Pension Office

Employer Support and Compliance Team

24. The Pension Office Employer Support and Compliance team is responsible for liaison with scheme employers on a range of matters in relation to their responsibilities under the LGPs Regulations. This includes –

- Supporting employers in undertaking their responsibilities.
- Communicating regulation and process changes to LGPS employers.
- Resolving problems in relation to the quality of information supplied by LGPS employers.
- The development of improved communication methods between the Pensions Office and LGPS employers.
- Work on Employer acceptance into the scheme, plus also employer closures.
- The review and improvement of information and administrative systems.

25. The team also have the following contact with Nottinghamshire LGPS Scheme Employer representatives –

- Year-end meetings are undertaken yearly to support preparation for and understanding of reporting requirements at year end.
- Meetings with employer representatives to communicate changes to the LGPS Regulations and the impact on employer responsibilities.
- Ad hoc individual or group support and training sessions with LGPS Employers

26. The Team continues to monitor the performance of scheme employers to ensure that scheme employers meet their statutory requirements in the administration of the scheme.

27. The Team has continued to collaborate with employers to improve the submission of pension data to the Fund.

28. In addition, there are also statutory requirements for participating scheme employers to provide timely and accurate year-end data. For the year 2022-2023, participating employers in the scheme were required to provide accurate year-end data by 05 May 2023.

29. The annual benefit statements were issued to deferred members of the scheme by June 2023 with all active benefit statements issued by week commencing 14 August 2023. There will be a further issue of benefit statements, where data was either provided late to the fund or there were queries with the submitted data which had to be rectified before benefit statements could be issued.

30. Where employers fail to meet the requirements set out in the Administration strategy the Pension Fund reserves the right to charge the employer for additional administration time where appropriate. The fund also reserves the right to report employers to the Pension Regulator where there is a breach of statutory regulations.

31. The following table provides information on employer submissions to year end data over the last six-year ends.

Year End	Number of submissions received by submission date	Accurate submissions received by submission date	Submission date	Number of Employer returns expected	Percentage of expected returns received by the deadline	Percentages of Accurate returns by the deadline
2014-2015	112	92	31 May 2015	260	43%	35%
2015-2016	162	157	30 April 2016	276	59%	57%
2016-2017	253	166	2 May 2017	310	82%	54%
2017-2018	314	183	14 May 2018	337	93%	54%
2018-2019	272	162	13 May 2019	341	80%	47.5%
2019-2020	304	206	15 May 2020	342	88.8%	60%
2020-2021	261	138	14 May 2021	296	88%	46.6%
2021-2022	249	153	9 May 2022	286	87%	53.5%
2022-2023	226	150	5 May 2023	288	78.50%	52.10%

32. The implications of not receiving data from scheme employers can be serious, potentially leading to incorrect pension calculations. Without the correct data, the Administering Authority may not be able to issue annual benefit statements to individual members where the scheme employer has failed to provide the required data. This type of situation would result in a breach of the statutory regulations and may result in the fund being subject to a fine. Any fines will be passed on to the appropriate non-compliant scheme employers.

33. The Pension Fund is monitoring employers' performance and undertaking several audits on employers' data. Each year following year end the team does send invoices for additional work undertaken when scheme employers fail to provide their statutory data on time.

Performance Data

34. Performance statistics in the table below represent the fourth quarter of 2022/23 and compares the performance of the Administration Team fund KPIs against the Cipfa benchmark legal requirement. Overall, the fund performance average against our KPIs is 75% against 67% the previous year. This has been impacted by the increased activity in retirements, transfers, and deaths of pension members. The fund continues to see an increase in the number of deferred members taking their benefits.

1st April 2022 to 31st March 2023. Annual Fund Key Performance Indicators for Cipfa benchmark			
Process	Cipfa Benchmark Legal Requirement (from notification)	% of cases completed within the CIPFA KPI	No. cases completed
Deaths (ALL)	2 Months	89.14	962
or			
Deaths – Acknowledging death of member Letter	2 Months	82.42	421
Deaths – Letter notifying amount of dependants pension	2 Months	63.77	541
Deferments	2 Months	25.74	2887
Retirements (All)	2 Months	88.21	7058
or			
Retirements – Process & Pay Pension Benefits (at next available payroll)	2 Months	85.19	2668
Retirements – Estimate of retirement benefits Letter (Cat A)	2 Months	96.61	1387
Retirements – Estimate of retirement benefits Letter (Cat B)	2 Months	92.11	76
Deferred Retirement Quotes (No SLA Equiv)	2 Months	86.88	2927
Transfer Quotes	2 Months	40.72	781
Transfers (No BP Equiv)	**	**	**
Divorce Quotes (No SLA Equiv)	3 Months	97.85	279
Divorce Settlement (No SLA Equiv)	3 Months	27.27	11
Refund (No SLA Equiv)	2 Months	95.38	303

35. Table 1 details the total number of completed processes in the Financial Year with the measurement commencing in 2018/2019. This table shows the increase in the number of completed processes year on year with the exception for 2020-2021, where a decrease was recorded. However as can be seen from the figures for 2022-2023 the number of completed processes within KPIs has increased to 58,576 an increase of 1,676 completed processes or 2.95%.

Table 1					
Years	2018/19	2019/20	2020/21	2021/22	2022/23
No of Processes completed	51,976	56,722	53,121	56,900	58,576
Difference	0	4,746	-3,601	3,779	1,676
% Change in Difference	➡ 0.00%	⬆ 9.13%	⬇ -6.35%	⬆ 7.11%	⬆ 2.95%

36. Table 2 gives a comparison of KPI activities reported in the Pension Administration System, which shows a slight increase figures in 2021/22 with another increase for 2022/23 This can be explained that overall, the Pension Admin Team has seen an increase in work across the function which has impacted on the Admin Team's ability to meet its KPIs. The scheme has seen an increase in retirements especially from deferred members over fifty-five seeking initial release of pension benefits, and this trend has continued into the current financial year.

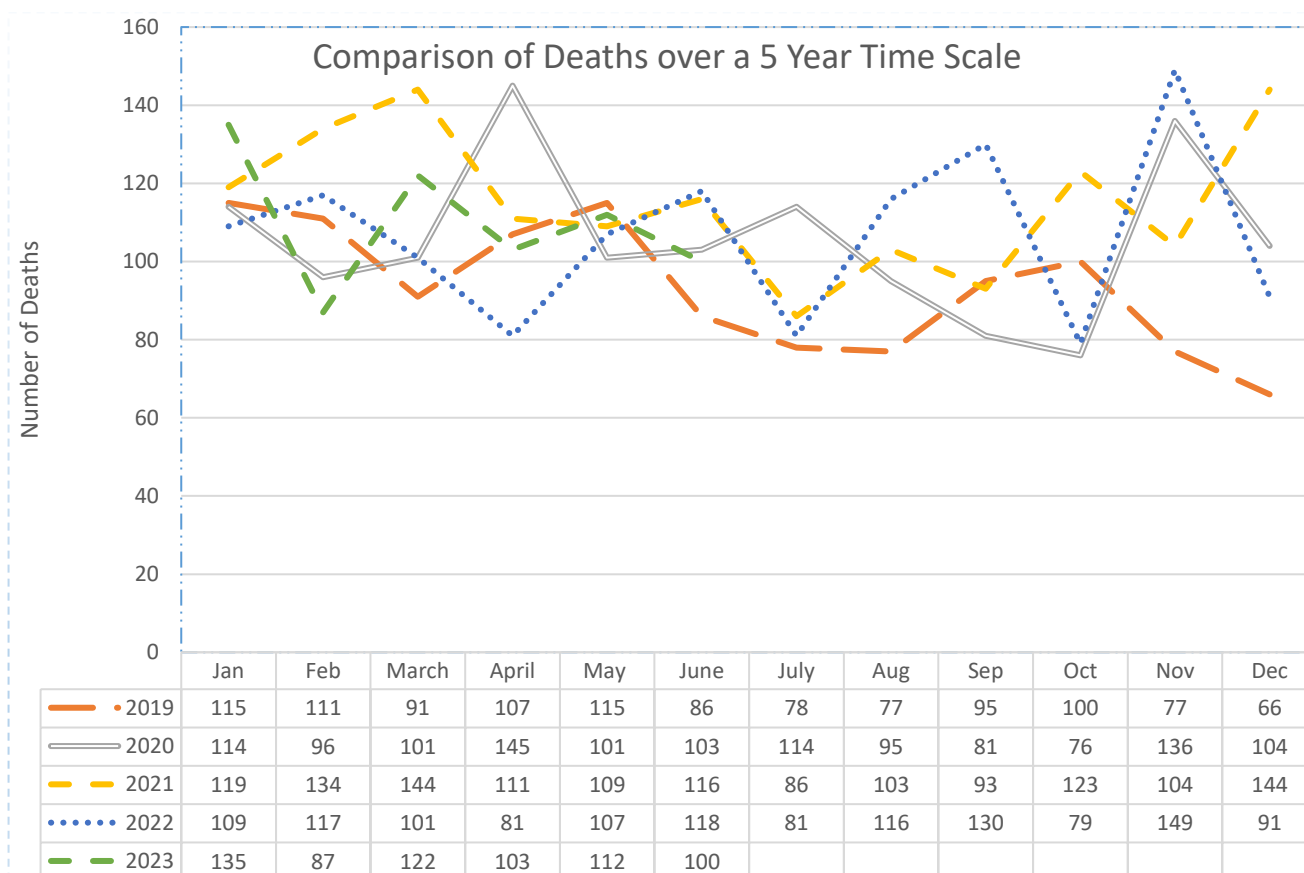
Table 2						
Years	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
No of KPI Processes Completed	7,617	10,688	12,138	11,723	14,773	13,130
Difference	0	3,071	1,450	-415	3,050	-1,643
% Change in difference	➡ 0.00%	⬆ 40.32%	⬆ 13.57%	⬇ -3.42%	⬆ 26.02%	⬇ -11.12%

37. There continues to be a significant increase in requests from deferred pension members over 55 years of age to seek payment of their pension benefits. However, in table 1 there has been an overall increase in the number of total processes that the fund has completed and gives an understanding in increased work overall. In contrast the scheme has seen a decrease in KPI processes completed which indicates that the fund has shifted resources to undertake other work, including work on the Valuation activities like checking data for the final valuation. The table above shows there has been a slight decrease in the numbers of completed KPI processes across the fund.
38. The member death process is the most difficult statistic to gather and measure. The difficulty is the date and timing of when the Pension Administration Team are informed of a death, against when the team receive all the necessary documentation. Where the relevant information is provided, death in service grants are paid within 5 days to the next of kin. However, the fund is seeing a more complicated picture in members lives and the intricacies of families which requires the Pension Fund to take more time in assessing the payment of some death grants.

39. Following several appeals to the Ombudsman across the LGPS relating to the release of death grants to the next of kin, the Fund now reviews each individual death grant payable, and where required seeks additional information prior to release of death grant benefits.

40. The following graph shows the number of deaths processed each year. These statistics include death in retirement, death in deferment, death in service and death of preserved refunds.

41. From January 2020 to June 2023 the average monthly deaths are 103 per month, Pre-Pandemic the average death rate per month was approximately ninety-one deaths. However, the statistics, show that the Nottinghamshire Pension Fund continues to follow the national trends.



	2018	2019	2020	2021	2022	2023
Average no of Deaths Per Month	89	93	105	115	103	109

Other Options Considered

42. Work on developing the Service Level Agreement will continue, to ensure they provide a full range of benchmarking data for the coming fiscal year. This work will be done in conjunction with a national set of benchmarks across all LGPS schemes.

Reason/s for Recommendation/s

43. This report has been compiled to inform the Nottinghamshire Pension Fund Committee of the activities being undertaken by the administration team to improve the performance of employers, and the administration of the fund.

Statutory and Policy Implications

44. 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.

Financial Implications

45. The administration of the Nottinghamshire Pension Fund is being delivered within existing resources at a cost of £2.7m including all costs and external fees.

RECOMMENDATION

It is recommended:

1. That the Nottinghamshire Pension Fund Committee notes the performance of the administration of the pension fund, and the continued development of systems and processes that will improve the service to members of the fund.

Marjorie Toward

Service Director – Customers, Governance, and Employees

For any enquiries about this report, please contact:

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Constitutional Comments (KK 03/10/2023)

46. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (TMR 28/09/2023)

47. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £2.7m at 2022-23 including all costs and external fees.

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.

- 'None'