

10 December 2020**Agenda Item: 4****REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND
EMPLOYEES.****LOCAL GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION
PERFORMANCE REPORT.****Purpose of the Report**

1. The purpose of the report is to inform the Nottinghamshire Pension Board of the 4 Quarters to the Year- End up to the 31 March 2020 of the Pension Administration Team.

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. During 2019-20, scheme members were required to pay a contribution rate of between 5.5% and 12.5% of their pensionable pay, depending on their pay banding. Employer contribution rates, also expressed as a percentage of pensionable pay, and tailored specifically to each employer in the scheme, were applied to cover the accrual of new benefits earned by members. The contribution to fund any past service deficit was expressed as a cash sum or supplementary percentage of pensionable pay.
4. The 2019 valuation was completed by the Scheme Actuary on 31 March 2020, and employer contribution rates were issued for the 1 April 2020.
5. One of the of the main areas of focus across the Local Government Pension Scheme has been 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 has highlighted this matter.

Pension Benefits Administration

6. 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:

- 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.

7. The Pension Team is currently separated into the following areas of work:

- a. Pensions Administration
- b. Employer Support and Compliance
- c. Technical/Communications
- d. Technical/Performance

At 31.03.2020	Established FTE	Actual in Post FTE
Pension Team	26.20	23.10
Pension System Team	3.0	2.0
GMP Project Manager (Temporary)	1.0	1.0

The GMP Project Manager is seconded from the Pension System Teams. The Administration Team is currently recruiting to the vacant posts with the pension administration team and interviews are scheduled for September 2020.

8. The total cost of administration expressed as a cost per member for the past five years is shown in the table below –

1.

£ per member	2015	2016	2017	2018	2019	2020
The Fund cost per member	£15.93	£11.18	£14.23	£13.59	£14.37	*
Average cost per member in the benchmarking club	£18.73	£18.69	£20.14	£21.85	£21.34	*

*Not available, awaiting Cipfa report 2020

Data Quality

9. The Pensions Regulator has continued 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 and are taking appropriate steps to improve pension records.
10. Data is important to the Administering Authority for several reasons, the main reasons being:
 - a. Members are paid the pensions they are entitled to
 - 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
11. Members will be aware that the pension fund has an Administration Strategy which provides a framework for the management of scheme employer's 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.
12. To help manage the improvement of data, Pensions Administration has been using the Pension Administration Strategy to try and drive compliance with scheme employers. Over the last financial year, the Administration Team have also been undertaking data improvement activities to improve data quality for the fund valuation.
13. The fund monitors its performance through a suite of SLA reports, which are based on the agreed SLA's within the Administration Strategy.

14. 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.

15. To meet the requirements set out by the regulator the Fund reported the following:

	2019 Accuracy	2020 Accuracy
Common Data	59%	73.37%
Conditional/Scheme Specific Data	60%	*Awaiting data following ABS data update

- Please note Data to be update when annual benefit statement data is loaded into the data quality dashboard.

16. A Data Audit and Improvement workstream was approved by Pension Committee in September 2019 and reported to the last Pension Board as part of the scope of the Nottinghamshire Pension Fund “transforming pension administration through digital development and new ways of working programme”. The details of this workstream are covered in more detail in the Pension Transformation update report to be presented at the Pension Board meeting.

Pension Fund Membership Statistics

17. At 31 March each year the Administering Authority report 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

18. 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	2017-2018	2018-2019	2019-2020
Active Members	44,436	46,350	47,841
Deferred members	46,448	47,365	56,068
Pensioners	35,245	37,157	38,923
Total Membership	126,129	130,872	142,832

19. 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 9 employer bodies which are mainly due to new admission bodies, but there has been a reduction in the number of active employers from 342 to 302. This reduction in numbers is due to the Fund continuing to consolidate academy trust schools into single employers. This reduces complexity of administration for the academies and the Fund, along with reducing costs. The table 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.

Scheduled		as at 31/03/19	Number Joined	Number Leaving	as at 31/03/20
Schedule 1	Local Authorities	9	-	-	9
	Academies	196	3	41*	158
	Others - active	16	-	4	12
	Others - defunct	42	44	-	86
Schedule 2	Town and Parish Councils	33	2	-	35
	Others - active	9	-	-	9
	Others - defunct	13	-	2	11
Total Scheduled		318	49	47	320
Admitted					
Admission		59	7	9	57
Others	- active	22	-	-	22
	- defunct	86	9	-	95
Total Admitted		167	16	9	174
Total		485			494

* includes 1 extra to balance out an academy duplicate

The following is a list of new scheme employers 2019-2020.

Scheme Employer	Type of Employer Body
Landgold Dyscarr Community School	Compulsory body (Academy)
Capita IT Services (BSF) Limited - Bulwell	Admission body
Churchill Contract Services Limited (SAT)	Admission body
Cater Link Limited	Admission body
Solo Service Group Limited	Admission body
St Mary's Church of England Primary School	Compulsory body (Academy)
Haggonfields Primary School	Compulsory body (Academy)
Aspens Services Limited (Newark)	Admission body
Aspens Services Limited (Sparken Hill)	Admission body
Aspens Services Limited (Sneinton St Stephens)	Admission body

Complaints and Internal Dispute Resolution Procedure Appeals

20. Set out below are three tables which outline the number of written complaints received by the Administering Authority in 2019-2020 along with the number of formal 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.

	Total	Closed	Outstanding	Justified	Partial Justified	Not Justified
Written Complaints	25	23	2	4	6	13

IDRP - Stage 1 Appeals against the Administering Authority and Employers 2019-2020

Total	Appeals upheld	Appeals dismissed	Progressed to stage 2	Awaiting Decision
10	1	3	3	3

IDRP - Stage 2 Appeals against the Administering Authority

Total	Appeals upheld	Appeals dismissed	Progressed Ombudsman	Awaiting Decision
8	1	1	1	5

*Please note this is the first year of being able to collect a standard set of complaints data that will enable comparisons over future years.

Pensions Administration System

21. 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, up to date and available to users. New developments and upgrades from the software supplier are evaluated, tested and deployed in line with the requirements of the Pension Office
22. Over the last year several developments have been progressed, the main development has been the implementation of an Employer portal which has completed its pilot with a large scheme employer. The objective of the Portal is support employers manage their data and provide access to some specific employee pension information. The other main activity has been the ongoing work to ensure the accuracy of pension data within the administration system and this will continue in line with the requirements of the Pensions Regulator. Further system developments are being planned for the coming year.

Employer Support and Compliance Team

23. 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.
24. 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
25. The Administration Strategy has now been in operation with scheme employers since May 2017 and has supported the work of the Pensions Team and Scheme Employers. The Strategy has helped in providing a framework to ensure that the Administering Authority, and scheme employers work together for the benefit of members to ensure statutory compliance and efficiency in the administration of the scheme, and update on the strategy is planned for this year.
26. The Team has continued to work with employers to improve the submission of pension data to the Fund, and this has been significantly important in 2019/2020 to enable the completion of the valuation, where data collected by 31 March 2019 is checked and balanced and was passed to the Scheme actuary in August 2019.
27. In addition, there is also statutory requirements for participating scheme employers to provide timely and accurate year-end data. For the year 2019-2020, participating employers in the scheme were required to provide accurate year-end data by 14 May 2020 the processing of the year-end returns has continued up to the time of writing this report, annual benefit statements have been issued to deferred members of the scheme by 3 July 2020 and active benefit statements were issued by 31 August 2020.
28. 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.
29. 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	88.0%	60%

30. The Fund received all its year end submissions to enable the production of annual benefit statements for the 31 August statutory deadline. This has however taken a lot of time and resource in contacting and chasing employers for their responses to data corrections to enable the balancing, and accuracy of member data, to allow the production of annual benefit statements. There will be a need to undertake a second run of benefit statements in November to ensure all members that the fund has data for can receive a benefit statement.

Planned Move to monthly returns

31. The Employer Support and Compliance Team has continued to support employers and to simplify the way data is requested, this has been achieved by reviewing communications and improving the content of the year-end briefings. The briefings delivered in early March 2020 again targeted new and existing employers to ensure that they understood their responsibilities for year-end. Even though the Pension Team went into working from home due to COVID19, all information was issued to scheme employers on time, to enable them to complete their year-end activities.

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 ultimately 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 Office will be working with Scheme Employers to implement monthly returns. The detail of this project is covered within the Pension Transformation update report to be presented to Committee on 10 September 2020.

Performance Data

34. Performance statistics in the table below represent the 4th quarter of 2019/20 and compares the performance of the Administration Team fund KPI's against the Cipfa benchmark legal requirement. The Committee will see that performance against the legal requirement averages around 80% compliance this is down from last year's average of 90%. Overall the fund performance against our KPI's is 65%, however this figure will have been impacted by reduced performance in March 2020 due to the Pensions Office moving to home based working due to COVID 19

4 Quarters 2019-2020 1.04.2019 to 31.03.2020 Pension Administration KPI Compared against the Cipfa Benchmark Key Performance Indicators					
Process	Fund KPI	% of cases completed within the fund KPI	No. cases completed Within the Year	Cipfa Benchmark Legal Requirement (from notification)	% of cases completed within the CIPFA KPI
Deaths – Initial letter acknowledging death of member	5 days	28%	367	2 months	92%
Deaths – letter notifying amount of dependant's pension	10 days	74%	443	2 months	80%
Retirements –letter notifying estimate of retirement benefits	15 days	85%	121	2 months	97%
Retirements – process and pay pension benefits on time (next available payroll) –	30 days	74%	2460	2 months	86%
Deferment Retirement Quote Letter	2 Months	95%	2256	2 Months	95%
Deferment – calculate and notify deferred benefits	2 Months	61%	4922	2 months	61%
Transfers in/out – letter detailing transfer quote	1 Month	44%	1050	2 months	59%
Refund – Process and pay a refund following election	2 Month	96%	802	2 months	96%
Divorce quote – letter detailing cash equivalent value and other benefits	2 Month	97%	375	2 months	97%
Divorce Settlement – Letter detailing implementation of pension sharing order	2 Month	31%	13	2 Months	31%
Provision of Estimate of Benefits			1448	2 Months	95%

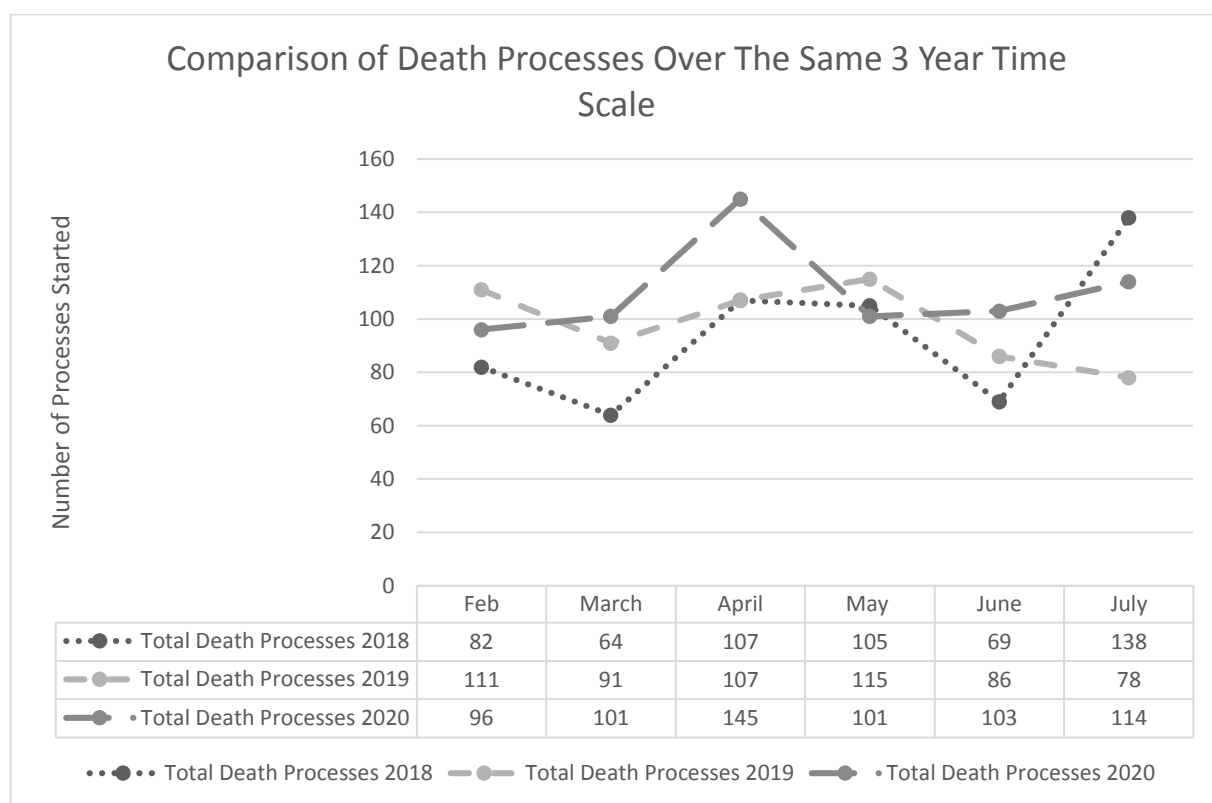
35. It can also be reported from information extracted from the administration system, in the financial year 2018/2019, the Pension Administration Team completed 7617 processes across the year. For the year 2018/19 the Administration Team increased the number of processes to 10,688 which is an increase of 40%. This increased again by 13% over 2019/20.

	2017/18	2018/2019	% +/-	2019/2020	% +/-
Processes Completed	7617	10,688	+ 40%	12,138	+13%

36. Since the changes in legislation in May 2018, 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. The Administration Team have completed 4922 process in the year up to March 2020 of which 61% were provided within 2 months.

37. The member death process is the most difficult statistic to gather and measure, and the team is currently reviewing how this process is monitored. The difficulty is the date and timing of when the Pension Administration Team are informed of the death, against when the team receive the appropriate documentation. Where the relevant information is provided death in service grants are paid within 5 days to the next of kin.

38. The following graph shows that 2020 has seen an increase in the number of deaths processed. These statistics include death in retirement, death in deferment, death in service and death of preserved refunds.



Other Options Considered

39. Work will continue to develop the SLA reports to provide a full range of benchmarking data over the coming financial year this will be in conjunction with a national set of benchmarks across all LGPS schemes

Reason/s for Recommendation/s

40. This report has been compiled to inform the Nottinghamshire Pension Board 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

41. 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

42. The administration of the Nottinghamshire Pension Fund is being delivered within existing resources at a cost of £1,266,293 2019-2020.

RECOMMENDATION

It is recommended:

1. That the Nottinghamshire Pension Board consider 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 (KK01/09/2020)

43. The proposal in this report is within the remit of the Nottinghamshire Pension Board.

Financial Comments (KP01/092020)

44. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £1,266,293 at 2019/20.

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' or start list here

Electoral Division(s) and Member(s) Affected

- 'All' or start list here