Nottinghamshire County Council

Report to Nottinghamshire Pension Board

11 September 2019

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 performance of the Administration Team, and provide details of the key performance indicators that have been developed and updated by Cipfa.

Information and Advice

Background

2. 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.

3. The Pensions Regulator has continued raise concerns across the LGPS funds relating to data quality and the need for improvement. 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 which is being undertaken currently

4. The Fund will be reporting to the Pension Regulator in the Annual Scheme Return in August/ September the position of the fund relating to its common and conditional data.

5. To meet the requirements set out by the regulator the fund reported in 2017-2018:

Common Data	59%	Accuracy
Conditional Data	60%	Accuracy

6. A data improvement plan is in place to improve the data within the Administration System in order to be able to report in more detail to the Pensions Regulator once an agreed reporting

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format has been implemented by the Scheme Advisory Board in conjunction with the regulator for the 2019/20 scheme return. The LGPS funds are still awaiting what the reporting requirements will be.

7. 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.

8. The Administration Strategy was designed to provide a framework for the management of scheme employer's responsibilities to ensure that the Administering Authority receives accurate data. However this is being reviewed and an updated strategy will be presented at a future Pension Board.

9. Data is important to the Pension Fund for a number of 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

10. 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.

11. The fund monitors its performance through a suite of SLA reports, which are based on the agreed SLA's within the Administration Strategy.

12. In addition this year CIPFA set up a working party which has developed a process whereby scheme administration data can be captured on a consistent basis and shared between funds, and therefore the Administration Team are able to report on a number of quarter 4 figures with a view to collecting a full set of data for 2019/20 financial year.

Pension Fund Membership Statistics

13. 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.

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

Pension Fund Members as at 31 March	2017-2018	2018-2019
Active Members	44,436	46,350
Deferred - Staff	46,448	47,365
Pensioners	35,245	37,157
Frozen Refunds	8,275	8,118
Leavers in progress	9,202	7,070
Total Membership	**143,606**	**146,060**

Frozen Refunds – are where members have taken a proactive decision to opt out of the LGPS but then have failed to confirm their details to enable the payment of refund of benefits to be processed. The total net refund value is £1,598,266.56

15. 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.

LGPS Employers	31.03.2018	Number Admitted	Changes +/-	Number Leaving	31.03.2019
Scheduled 1					
Local Authorities	9	-	-	-	9
Academies	192	22	-	18	196
Others- Active	16	-	-	-	16
Others- Defunct	24	-	18	-	42
	241				263
Scheduled 2					
Town and Parish Councils	31	1	+1	-	33
Others - Active	10	-	-	1	9
Others - Defunct	12	-	+1	-	13
Total Scheduled	**294**	**-**	**-**	**-**	**318**
Admitted					
Admission	57	5	-1	2	59
Others - Active	23	-	-	1	2
- Defunct	83	-	3	-	86
Total Admitted	**163**	**-**	**-**	**-**	**167**
Total	**457**	**-**	**-**	**-**	**485**

16. From April 2018 to March 2019, the number of active scheme employers has increased, with the continued growth and change of academies adding to the complexity of the scheme by increasing the employer bodies. The fund received 28 applications from employers who met the criteria for admission into the fund; the table above 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.

17. The number of scheme employers is continuing to increase as schools convert to academy status, along with reorganisation of academy trusts and the outsourcing of services by existing scheme employers. With the increasing numbers of employers, this provides an ongoing challenge to the Administering Authority to ensure that pension fund and member data is kept up to date.

18. In order to try to reduce the number of employer bodies the fund continues to work with a number of Academy Trusts to support the merger of single academies within Multi Academy Trusts into one single employer, to try and reduce the complexity of scheme data, however this takes time and resource in supporting the changes.

19. A list of new scheme employers 2018-2019 is attached in Appendix 1. This list is split into compulsory bodies, designating bodies, and transfer admitted bodies. The employers have been listed against their administration area. As you will see that vast majority of new employers relate to schools, with a number of applications still to be completed.

Year End and Scheme Valuation Employer Activities

20. The Employer Support and Compliance Team continues to work with employers to improve the submission of pension data to the fund, and this is significantly important in 2019 being the valuation year.

21. There is a statutory requirement for participating scheme employers to provide timely and accurate data and in particular to provide accurate year-end data. For the year 2017-2018, participating employers in the scheme were required to provide accurate year-end data by 2 May 2018 following the processing of the year-end returns, annual benefit statements were issued to active and differed members of the scheme by 31 August 2018. However this year the fund extended the submission date to 13 May to provide more time, to try and support the employers.

22. The following table provides information on employer submissions of year-end data over the last five 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%

As at 1 July 2019 the fund has now received 341submissions, there is still work being undertaken to balance and rectify the data submitted.

23. 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 briefing delivered in March 2019 again targeted new and existing employers to ensure that they understood their responsibilities for year-end but also in respect of the valuation process.

24. The implications of not receiving data from scheme employers can be serious, potentially leading to incorrect pension calculations. Without the correct data, the Pension Fund 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.

25. The Pension Fund has issued 82 % Active Annual Benefit Statements

Performance Data

26. Performance statistics are attached at appendix 2. The Table represents the 4th quarter of 2018/19 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 90% compliance. In addition Cipfa are recommending that this comparison data is used in the Fund Annual Report, in future years. This specification is in the new guidance for LGPS Administration Authorities 2019 edition. The Administration Team are currently working on these reports to be able to provide a full set over the coming financial year.

27. It can also be reported from information extracted from the administration system, in the financial year 2017/18, 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%.

28. The main increases has been due to work being undertaken on deferred member benefits where the administration team has completed 4403 processes. This has been a focus for the team due to the need to have data updated for the valuation, and resources have been focused on this area of work.

29. Since the changes in Legislation in May 2018, there has been 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 1026 process, the majority of these coming in the 3rd and 4th quarter of the year. It is expected that this will increase again following the issuing of Annual Benefit Statements in July and August 2019.

30. In terms of the performance targets meeting the SLA in 2018/19, these are shown in Appendix 2 the average performance against the fund KPI was 70% against 90% meeting the Cipfa

benchmark, this must be set against an increase in the number of Scheme Employers and Members within the last year. Some of these activities have also been impacted due to statutory changes in government actuary factors, which meant that certain activities were put "on hold" whilst the Pension Administration system was updated with the new factors. This suspension meant a backlog built up which needed to be cleared following updates to the pension administration system.

31. 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.

32. Included in the report is the cost per member, which is based on the Cipfa benchmarking club. It has not been possible to include the 2019 figure, as the data has not yet been collated at the time of writing the report. However in terms of a trend you will see that on average against the average cost within the benchmarking club 30 + LGPS members the cost per member for Nottinghamshire Pension Fund is on average £5.35 below the benchmark over 6 years of data.

Other Options Considered

33. Work will continue on the development of the SLA reports to provide a full range of benchmarking data over the coming financial year.

34. Further development of the Cipfa benchmarking reports in line with the guidance produced by Cipfa in the 2019 edition preparing the annual report.

Reason/s for Recommendation/s

35. 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

36. 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

37. The administration of the Nottinghamshire Pension Fund Administration is being delivered within existing resources at £1.952m 2017/18.

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.

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Constitutional Comments (02/09/2019KK)

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

Financial Comments (02/09/2019KP)

39. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £1.952m at 2017/18.

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