

24 June 2021

Agenda Item: 6

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 Pension Administration Team for the period 1 April 2020 to year ending 31 March 2021,

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 of the main 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 data base 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

5. 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 31.03.2021 | Established FTE | Actual in Post FTE |
|-------------------------------------|------------------------|---------------------------|
| Pension Team | 26.20 | 25.77 |
| Pension System Team | 3.0 | 2.0 |
| GMP Project Manager (Temporary) | 1.0 | 1.0 |
| McCloud Project Manager (Temporary) | 1.0 | 1.0 |

The Guaranteed Minimum Pension (GMP) Project Manager is seconded from the Pension System Teams. Guaranteed Minimum Pension Project is the reconciliation of pension records with Her Majesty’s Treasury. Over the last financial year, the Administration Team has been recruiting to the vacant posts. New members of staff were recruited in October to the general administration team, as well as one internal promotion to a Practitioner role. Two officers have resigned. A further appointment to the temporary McCloud Project Manager was confirmed in April.

The Pension Team are also supported by a number of other teams within the Business Service Centre (BSC) such as –

- Business Hub Team who undertake a range of clerical and administrative tasks on behalf of the Pension Administration Team.
- The Authority’s Payroll Service who process the monthly Pensioners Payroll on behalf of the Nottinghamshire Pension Fund.
- BSC Security and Authorisation Team who are undertaking a number of activities to support the Employer Portal rollout.

6. 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 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| The Fund cost per member | £15.93 | £11.18 | £14.23 | £13.59 | £14.37 | £14.08 |
| Average cost per member in the benchmarking club | £18.73 | £18.69 | £20.14 | £21.85 | £21.34 | £20.02 |

*At time of writing the 20/21 figures are not available

Data Quality

7. 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 and are taking appropriate steps to improve pension records.

8. 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

9. 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.

10. 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.

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

| | 2019 Accuracy | 2020 Accuracy |
|-------------|----------------------|----------------------|
| Common Data | 59% | 76% |

| | | |
|----------------------------------|-----|-----|
| Conditional/Scheme Specific Data | 60% | 43% |
|----------------------------------|-----|-----|

- 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 keep in contact with them.
- Conditional/Scheme specific data – This is the data used for calculating pension benefits.

12. A Data Audit and Improvement workstream was approved by Pension Committee in September 2019 as part of the scope of the Nottinghamshire Pension Fund “transforming pension administration through digital development and new ways of working programme”. This work is progressing and now enables us to measure our data more accurately. Therefore, this has highlighted changes in our data scores with an increase in common data accuracy and a decrease in conditional/ scheme specific data. The Data Improvement Project is moving into the data rectification phase. As part of this phase, we will be working with Civica to implement bulk data resolutions, as well as with individual Scheme Employers to update both common and scheme specific data at individual member level. A detailed transformation update report will be presented to Committee in September.

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.

| Type of Member | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
|------------------|-----------|-----------|-----------|-----------|
| Active Members | 44,436 | 46,350 | 47,841 | 43,957 |
| Deferred members | 46,448 | 47,365 | 56,068 | 60,935 |
| Pensioners | 35,245 | 37,157 | 38,923 | 40,481 |
| Total Membership | 126,129 | 130,872 | 142,832 | 145,373 |

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. The following table gives a breakdown of the employers in the scheme. The headline figure in the table shows a net increase of 14 employer bodies which are mainly due to new admission bodies, but there has been a reduction in the number of active employers from 302 to 294. This reduction in numbers is due to the Fund continuing to consolidate academy trust schools into single employers. This trend will continue into the following year as a number of academies will be consolidating, along with requesting from the Secretary of State to bring other academies into the Nottinghamshire Fund. Consolidating academy trusts reduces complexity of

administration for the academies and the Fund, along with reducing costs due to economies of scale.

16. 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.

| | | 2020 | 2021 | | |
|------------------------|--|----------------|---------------|----------------|----------------|
| Scheduled | | as at 31/03/20 | Number Joined | Number Leaving | as at 31/03/21 |
| Local Authorities | | 9 | 0 | 0 | 9 |
| Academies | | 158 | 7 | 12 | 153 |
| Others - active | | 56 | 3 | 5 | 54 |
| Others - closed | | 97 | 17 | | 114 |
| Total Scheduled | | 320 | 27 | 17 | 330 |
| | | | | | |
| Admitted | | | | | |
| Admission | | 57 | 4 | 7 | 54 |
| Others - active | | 22 | 0 | 0 | 22 |
| Others - defunct | | 95 | 7 | 0 | 102 |
| Total Admitted | | 174 | 11 | 7 | 178 |
| | | | | | |
| Total | | 494 | 38 | 24 | 508 |

The following is a list of new scheme employers 2020-2021.

| Scheme employer | Type of employer |
|--|-------------------------------------|
| East Midlands Education Trust | Schedule 1 - Academies |
| Laneham Parish Council | Schedule 2 - town & parish councils |
| Wells Academy | Schedule 1 - Academies |
| Florence Nightingale Academy | Schedule 1 - Academies |
| Cater Link Limited (Diverse) | Admitted - Admission |
| Rosecliffe Spencer Academy | Schedule 1 - Academies |
| Winthorpe Primary School | Schedule 1 - Academies |
| Beckingham cum Saundby Parish Council | Schedule 2 - town & parish councils |
| Hucknall National C of E Primary School | Schedule 1 - Academies |
| John Hunt Primary School | Schedule 1 - Academies |
| MINT Commercial Services LLP | Admitted - Admission |
| Worksop Charter Trustees | Schedule 2 - town & parish councils |
| Aspens Services Limited (Rosslyn) | Admitted - Admission |
| Compass Contract Services (UK) Limited (ATT) | Admitted - Admission |

Complaints and Internal Dispute Resolution Procedure Appeals

17. Set out below are three tables which outline the number of written complaints received by the Administering Authority in 2020-2021 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.

18. The Pension Team have also been dealing with numerous complaints related to our in house Additional Voluntary Contributions (AVC) provider, Prudential. In November the Prudential changed its administration system. This has created difficulties for members either paying their contributions, along with being able to claim their benefits at retirement. The fund has been raising complaints on members behalf and trying to resolve the problems. The Fund has also been working with other LGPS funds in the East Midlands network to bring the Prudential to account. The Pension Regulator is aware of the issues being raised. The fund continues to raise complaints.

| Recorded Written Complaints | | | | | | |
|-----------------------------|-------|--------|-------------|-----------|-------------------|---------------|
| Date | Total | Closed | Outstanding | Justified | Partial Justified | Not Justified |
| 2020/21 | 26 | 24 | 2 | 14 | 3 | 9 |
| 2019/20 | 25 | 23 | 2 | 4 | 6 | 13 |

Main Reasons

- Transfers in and out - timescales
- Deferred record future review dates
- AVC complaints related to the Prudential
- Benefit calculations

The Pension Fund also recorded 24 subject access requests made by claims companies seeking information relating to members who transferred their benefits out of the Pension Fund in past years. We are currently reviewing our process to ensure that it is robust and in accordance with the regulations.

Independent Disputes Resolution Procedure (IDRP)

IDRP -Stage 1 Appeals against the Administering Authority and Employers 2020-2021

| Total | Appeals upheld | Appeals dismissed | Progressed to stage 2 | Awaiting Decision |
|-------|----------------|-------------------|-----------------------|-------------------|
| 13 | 2 | 7 | 5 | 4 |

IDRP - Stage 2 Appeals against the Administering Authority

| Total | Appeals upheld | Appeals dismissed | Progressed Ombudsman | Awaiting Decision |
|--------------|-----------------------|--------------------------|-----------------------------|--------------------------|
| 5 | 0 | 4 | 0 | 1 |

Pensions Administration System

19. 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, tested, and deployed in line with the requirements of the Pension Office
20. The Employer portal is now live and has now begun to be rolled out to scheme employers. The County Council has been using the portal for about 6 months since it completed the pilot project. Gedling Borough Council went live with the portal at the beginning of June, Rushcliffe Borough and StreetWise are scheduled to go live over the Summer.

Employer Support and Compliance Team

21. 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.
22. The team also have the following contact with Nottinghamshire LPGA 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
23. 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. There is a planned update on the strategy, and this will encompass a new charging process for scheme employers who cause additional work for the fund.

24. The Team has continued to work with employers to improve the submission of pension data to the Fund.

25. In addition, there are 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 annual benefit statements were issued to deferred members of the scheme by 3 July 2020 with all active benefit statements issued by the statutory date of 31 August 2020. There was a further issue of benefit statements, where data was either provided late to the Fund or that there were queries with the submitted data which had to be rectified before benefit statements could be issued. The current year end processing is on going with employers having to provide their year end data by 14 May 2021. Evaluation of this data is currently on going.

26. 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.

27. 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.% | 60% |
| 2020-2021 | 261 | 138 | 140 May 2021 | 296 | 88% | 46.6% |

28. 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

Performance Data

29. Performance statistics in the table below represent the 4th quarter of 2020/21 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 82% compliance this is down from last year's average of 85%. Overall the fund performance average against our KPI's is 68.2%, however this figure will have been impacted by reduced performance in April, May, June and July 2020 due to the Pensions Office moving to home based working due to COVID 19, and focusing mainly on the provision of retirement benefits as per the pension regulator requirement..

30. As part of the pandemic response, advice from the Pension Regulator was to focus on the maintenance of benefits for pensioners, the payment of benefits to retiring members, and those of dependants of pensioners who had died. A number of processes were put on hold and these included transfers of benefits. The pension regulator at the time raised concerns around pension scams and continues to raise concerns.

| 4 Quarters 2020-2021 1.04.2020 to 31.03.2021 Pension Administration KPI Compared against the Cipfa Benchmark Key Performance Indicators | | | |
|--|--|--|--|
| Process | 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 | 432 | 2 Months | 95% |
| Deaths – letter notifying amount of dependant's pension | 517 | 2 months | 88% |
| Retirements –letter notifying estimate of retirement benefits | 102 | 2 months | 90% |
| Retirements – process and pay pension benefits on time (next available payroll) – | 2736 | 2 months | 78% |
| Deferment Retirement Quote Letter | 2245 | 2 Months | 96% |
| Deferment – calculate and notify deferred benefits | 2937 | 2 months | 37% |
| Transfers in/out – letter detailing transfer quote | 736 | 2 months | 50% |
| Refund – Process and pay a refund following election | 544 | 2 Months | 97% |
| Divorce quote – letter detailing cash equivalent value and other benefits | 320 | 2 Months | 98% |

| | | | |
|--|------|----------|-----|
| Divorce Settlement – Letter detailing implementation of pension sharing order | 11 | 2 Months | 81% |
| Provision of Estimate of Benefits | 1143 | 2 Months | 97% |

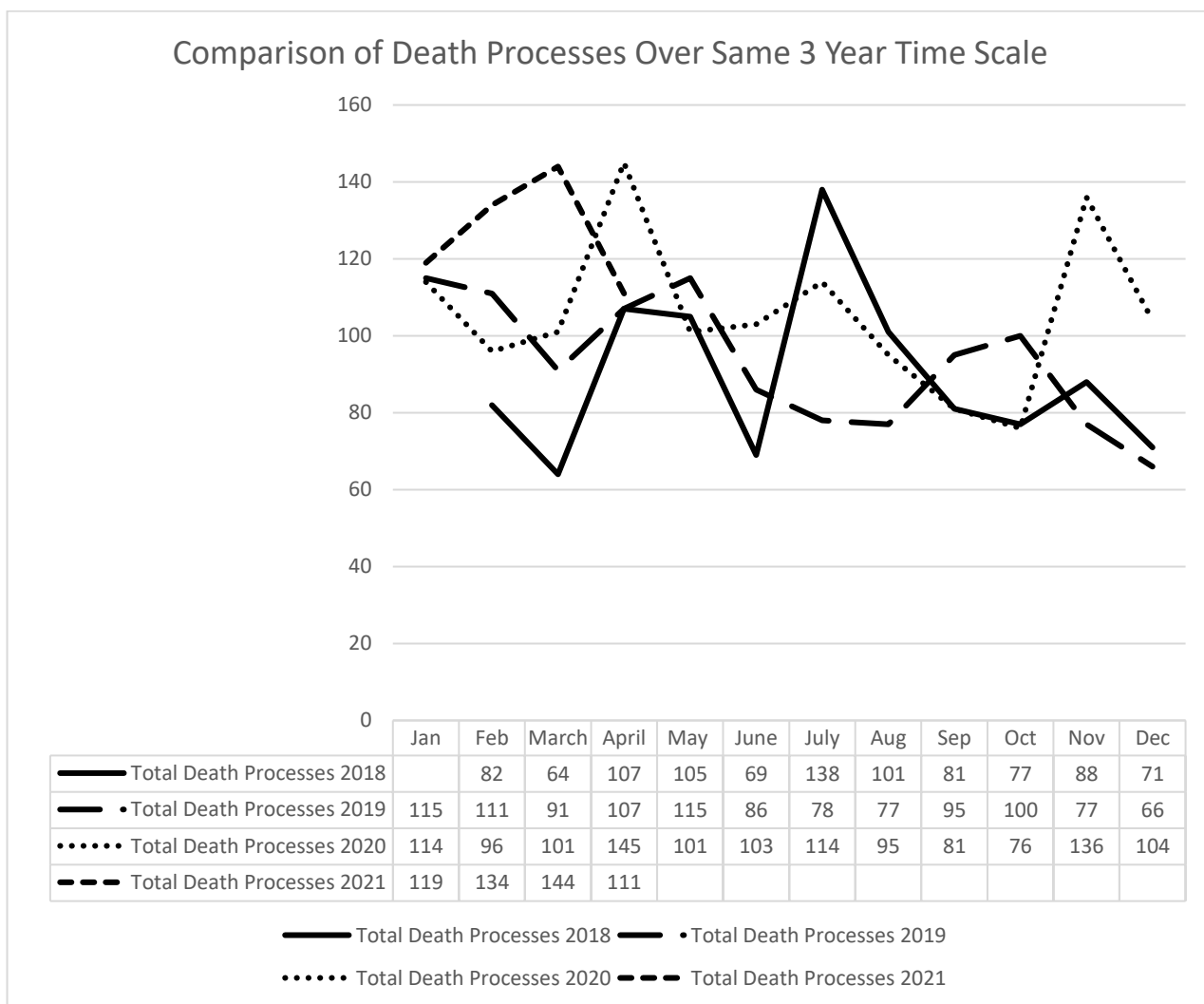
31. It can also be reported from the KPI information extracted from the administration system in Table 1, in the financial year 2018/2019, the Pension Administration Team completed 7617 processes across the year. For the year 2018/19 the Administration Team increased the number of processes to 10,688 which is an increase of 40%. This increased again by 13% over 2019/20. However there has been a decrease in number of cases completed for 2020/21 to 11,723 a 3% decrease this inevitably was due to the move to working from home in the first 3 months.
32. Table 2 gives a comparison of all activities reported in the Pension Administration System and again we see a slight decrease, for the same reason in that activity decreased with a move to home working, and getting use to new processes.

| Table 1 | | | | | | | |
|-------------------------|----------------|----------------|--------------|----------------|--------------|----------------|--------------|
| KPI Processes | 2017/18 | 2018/19 | % +/- | 2019/20 | % +/- | 2020/21 | % +/- |
| KPI Processes Completed | 7617 | 10,688 | + 40% | 12,138 | +13% | 11,723 | -3% |
| | | | | | | | |

| Table 2 | | | | | | |
|---|----------------|--|----------------|--------------|----------------|--------------|
| | 2018/19 | | 2019/20 | % +/- | 2020/21 | % +/- |
| Total of all Processes Completed across the Fund | 51,976 | | 56,722 | +9% | 53,121 | -6% |

33. As part of the transformation programme the Pension Office will be working to introduce the functionality to enable the Pension Office to run bulk processes for tasks such as refunds and deferred benefits. Bulk processing is interdependent on the Data improvement workstream as processes are reliant on accurate data being available within the Pension Management system (UPM) to enable a bulk process to run. Once live, bulk processing will enable the Pension Office to begin to concentrate on more complex processes.
34. 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, the table above shows that there has been a 6% decrease in the numbers of total processes across the fund being completed. The decrease can mostly be identified by the move to working from home over April, May and June 2020 at the start of the lockdown.
35. 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.

36. The following graph shows that 2020/21 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.
37. From January 2020 to April 2021 the average monthly Deaths 110 per month, in a normal year the average is approximately 93 deaths. However, you can see from the statistics, from November 2020 to April 2021 (the second COVID wave) the average number of Deaths was 124, and this increase created a significant amount of work for the Pensions Team.
38. In addition, the Pension Fund have asked the Scheme Actuary to undertake some further analysis of the impact of the number of deaths within the Pension Fund, and a further report will be presented at a future committee meeting.



Other Options Considered

39. Work on developing the Service Level Agreement will continue, to ensure they provide a full range of benchmarking data for the coming financial year. This work will be done 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 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

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 £2.69m which is .044% of the fund Total assets 2020-2021.

RECOMMENDATION

It is recommended:

1. That the Nottinghamshire Pension Fund Committee 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 (KK 11/06/2021)

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

Financial Comments (KP 11/06/2021)

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 £2.69m at 2020-21 which is .044% of the total assets.

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'