

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

1. To seek approval from members to the scope of the “transforming pension administration through digital development and new ways of working programme”.

**Information
Background**

2. Nottinghamshire County Council is the Administering Authority for the Nottinghamshire Local Government Pension Fund. In its capacity as Administering Authority the Council provides a pension administration service to 146,060 members (active, deferred and pensioners, figures as at 31 March 2019) and 341 active scheme employers. There has been a substantial increase in the number of scheme employers from 260 in 2014-2015 to 341 in 2018-2019, which is a 31% increase.
3. The LPGS is under greater scrutiny through the enhanced role given to the Pensions Regulator which requires Funds to demonstrate that compliance has been achieved across a wide range of activities on an ongoing basis.
4. Work has been undertaken to look at what other LGPS administration services are doing. A number have already developed or are in the process of developing a “digital first” programme which will enable them to interact on a digital platform with scheme employers and members, introduce new ways of working which will improve efficiency, maximise value for money and improve the customer experience for both scheme employers and members.
5. Pension Administration is changing nationally, and in the LGPS with changes to regulations, and with the requirements and scrutiny of the Pension Regulator. LGPS administration needs to reflect this change through the delivery of a range of digital services which include increased automation, significantly reduced manual inputting and amending of member data, ensuring that employers fulfilling their responsibilities as a scheme employer within the Fund and for scheme members to be able to access their pension record 24/7.

Digital Transformation

6. The County Council has been reviewing its approach to digital transformation. We live in a digital age. Customers expect to be able to interact with organisations online, 24/7 and self-serve. The Council has drafted its Digital Strategy for 2019 -2021 and outlined a cross council programme “Improving Customer Experiences through Digital Development”. This programme of work will build on digital good practice in Nottinghamshire and elsewhere and ensure that work is undertaken, and new developments are consistently applied across the Council to improve efficiency, maximise value for money and improve the customer experience for all.
7. The Pension Regulator has stipulated that it expects Pension Funds to enable scheme employers and members to interact with the Fund via digital platforms.
8. To align with the Council’s draft digital strategy and to address the Pension Regulator’s requirement for digital interaction, the Pension Administration Service has taken the opportunity to review and reflect on its own digital journey and look at what other LGPS administration services are doing to improve their administration service.

Scope

9. Following approval by Pension Committee on the 18 July 2019 work has been undertaken with our system partner Civica to develop the scope of the “Transforming Pension Administration through digital development and new ways of working.” programme which will include increasing system efficiency and automation, deploying new functionality and providing our Scheme Employers and Members with online access.
10. The key aims of the proposed programme are to
 - a. Through improved data quality and increased automation move towards “administration by exception”. Ensuring the right people are doing the right tasks at the right time. Enabling our skilled administrators to concentrate on dealing with complex issues, whilst the automation takes care of the every day tasks where possible.
 - b. Provide Scheme Employers with portal access to upload validated data, removing paper and manual input into Civica UPM where at all possible and supporting Employers to fulfil their duties under the Pension Administration Strategy
 - c. Improve the management and transition of member and financial data through the deployment of monthly returns rather than a yearly return which would support auto loading and processing of new starters, changes and leavers to enable cost efficient and transparent processing
 - d. Provide Members with self-service access to enable them to maintain their personal data, review their pension benefits and communicate with the Fund.
 - e. Support the Fund to meet increasing regulatory requirements and standards on reporting for example, The Pension Regulator requirement for Funds to improve the quality of their data and the expectation that Funds enable Scheme Employers and Members to interact with the Fund via digital platform.

- f. This programme will ensure that the Nottinghamshire Pension Fund Administration Service can operate as a leading-edge administration service through improving the customer experience, ensuring regulatory compliance whilst delivery an efficient and cost-effective service.

11. The programme will be delivered on a phased approach and will consist of 4 key phases:

- Data Audit and Improvement
- Scheme Employer Portal
- Hosting Options
- Members Portal

Data Audit and Improvement

12. The Pension 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.
13. Data improvement is a continuous process and not a one-off exercise. The Fund's engagement with data improvement does not end once its improvement plan is delivered. The Fund needs to regularly check the data that it requires to run an efficient and effective scheme and must ensure that data is managed well on a day to day basis.
14. Good quality data is a critical element in the success of digital transformation. To support members to channel shift good quality data is a key requirement. Without the required data members will be unable to process requests on line.
15. Without good quality data, administrators are unable to process requests from scheme employers or members. Nottinghamshire Pension Fund collects and holds large amounts of personal and sensitive data and is reliant on the timely receipt of quality data from employers to administer the pension fund and pay the correct benefits to members when they become due. Continual issues with poor quality and missing data provided by scheme employers impacts funds in several ways including reputational risk and fines from the Pension Regulator, valuation risks, which effect members and impact on administration.
16. Good quality data enables the pension administration services to –
- Pay accurate benefits
 - Deliver high quality service standards
 - Improve cost efficiency through the use of technology
 - Communicate better with members
 - Improve the accuracy of valuation data
 - Meet the Pension Regulator expectations
17. The Data Phase of the programme will be split into four distinct phases: **data audit, forensic analysis, improvement and maintenance.**

18. It is proposed to engage Civica to undertake the first two phases of the data programme. The outputs of these two phases will enable a full scoping of the improvement and maintenance phase to be undertaken and the subject of a further report to Pension Committee.
19. The process of continuous data improvement is supported by the next phase of the digital programme: Scheme Employers Portal will support data improvement becoming a business as usual activity.

Scheme Employers Portal

20. The Scheme Employer phase of the programme will run in parallel to the data phase. This phase will comprise of three key elements: – **Scheme Employers Portal, and implementation of monthly scheme returns, process re-engineering and automation**
21. The Scheme Employer Portal is currently being managed as a separate project but will be moved under the overall management of the digital programme. The Scheme Employers Portal is undergoing final user acceptance testing prior to it being piloted by Nottinghamshire County Council. It is anticipated that the pilot will commence in September 2019 and rolled out to other Scheme Employers during 2020. The Scheme Employers Portal will enable employers to have limited access to view their members' records on the Civica UPM system and will act as a secure portal for information.
22. Currently, Scheme Employers provide the Fund with a year-end return which details all starters, leavers and other members' changes which have taken place over the year. This process creates a significant peak of activity for the Fund from April through to July/August on an annual basis and requires the Fund to reconcile individual returns, load significant volumes of data and address queries. This also means that the Pensions Administration Team are taken away from the day to day activities of processing deferred benefits, aggregation and other administration processes during this time.
23. The Pension Regulator has stated that monthly electronic data submissions should be the default for all Funds and recommends that steps are put in place to do so. To support this recommendation, it is proposed to implement monthly scheme returns as part of the Scheme Employer Phase.
24. The implementation of monthly returns will require Scheme Employers to submit a monthly return detailing all new starters, changes and leavers and monthly contributions. An extensive series of data validation checks would be automatically performed by the system as the data file is uploaded. Any issues would be highlighted enabling the employer to address these prior to the submission of the file to the Pension Administration Team.
25. Once the monthly return is submitted the Pension Administration Office is able to run automated processes to add new starters, update and process leavers, apply changes to members' records and update monthly salary and contribution data.
26. Automation processing enables cases to be processed in bulk without administrator intervention. Releasing administrators to focus their work on more complex or unusual cases and moving to an approach of "administration by exception".

Hosting Civica UPM

27. As part of the transformation programme it is proposed to review options for hosting the Civica UPM system. This work would align with the County Council's corporate "Journey to the Cloud" programme. As part of this review consideration would be given to managed services offered by Civica. This review and its outcomes will be the subject of a separate report to Pension Committee in due course.

Members Portal

28. Given the above scope of the transformation programme it is proposed to visit the scope of the Members Portal during the second half of 2020. Good quality data is key to the successful channel shift of members to online services.

Programme Governance

29. A clear governance structure is a critical factor for the success of any programme. A digital transformation programme board will be established to oversee the work of the programme. Quarterly reports will be presented to Pension Committee on the progress of the programme.

Resources

30. Pension Administration Team will input into aspects of the scoping and delivery of the programme due to their knowledge and expertise of the regulations and existing processes. As the detailed scope of the programme develops consideration may need to be given to engaging additional resource to ensure that the programme is delivered in a timely manner.
31. Additional project management capacity can be released from within the Business Services Centre to support the delivery of the programme.

Costs

32. The one-off costs for the two initial data improvement phases and the licensing costs for the new additional functionality of monthly returns and process automation within the scheme employers portal phases are £165,000. The cost of supplier service days and project management for the phases detailed within this report will be £100,000. A total of £265,000. The annual support and maintenance for new additional functionality will be £14,000.
33. Costs for subsequent phases of the programme will be covered in separate reports.

Other Options Considered

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

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

Reason/s for Recommendation/s

36. With increasing number of scheme employers and members; as well as increasing compliance requirements the service would need to look at increasing the number of skilled administrators within the team. A digital programme would enable all stakeholders of the services to benefit from interacting with the administration team via digital services, as well as meeting the Pension Regulator expectation for stakeholders to interact with the Fund via digital platforms.

Statutory and Policy Implications

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

Data Protection and Information Governance

38. An overall high-level Data Privacy 'impact Assessment will be completed for the programme and kept under regular review. The potential data protection impacts of specific developments will be considered and reviewed on an ongoing basis as the work of the programme progresses.

Financial Implications

39. The financial implications are covered within the body of this report at paragraph 32.

RECOMMENDATION/S

It is recommended that the Members:

- 1) Approve the proposed scope of the Nottinghamshire Pension Administration Service digital programme.
- 2) Approve the recharge of the costs of the initial phases of the programme to the Pension Fund.
- 3) Agree to receive quarterly update reports on the progress of the programme.

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Constitutional Comments (KK 02/09/2019)

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

Financial Comments (KRP 02/09/2019)

41. The anticipated costs of the proposals are set out in paragraph 32 of the report. Administration costs, including IT costs, are a valid charge to the Pension Fund.

HR Comments (BC 02/09/2019)

42. The staffing implications are contained within the body of the report. Members of the Pension Administration team will be fully involved in the scoping and delivery of the programme. Once the scope has been developed, any additional resource that may be required will be subject to a further report to this Committee.

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.

Electoral Division(s) and Member(s) Affected

All.