

12 December 2019

Agenda Item: 5

**REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND
EMPLOYEES.****NOTTINGHAMSHIRE LOCAL PENSION BOARD – PENSION
ADMINISTRATION PERFORMANCE REPORT.****Purpose of the Report**

1. The purpose of the report is to inform the Nottinghamshire Pension Fund Pension Board of the administration activity and performance of the Administration Team.

Information and Advice**Background**

2. One 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 as an issue.
3. The Pensions Regulator has continued to raise concerns across the LGPS funds regarding data quality and the need for improvement. To help manage the improvement of data, the Pensions Office has been using the Pension Administration Strategy to try and drive compliance with scheme employers. Compliance has mainly been driven through the monitoring of the year end returns.
4. The Fund is required by the Pension Regulator to complete an Annual Scheme Return as part of this return the Fund is required to report on the quality of its common and conditional data. The table below presents the improved position for 2018-2019 compared to the first year of reporting in 2017-2018 -

	Common Data	Conditional Data
2017 - 2018	59%	60%
2018 - 2019	68%	66%

5. As The Pension Board are aware one of the key work streams of Pension Digital Transformation programme, which was approved by the Pension Committee in September, is Data Audit and Improvement. This work stream will support the Fund to meet the Pension Regulators requirement for it to have a data improvement plan. Good quality data is also 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.
6. A series of workshop to scope this work stream are scheduled for November and December and an update on the Pension Digital Transformation programme will be provided in the new year.

Pension Fund Membership Statistics

7. At 31 March each year the Administering Authority reports 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.
8. The following table details the membership of the Fund against each category, and sets a context to the size of the Nottinghamshire Pension Fund.

Pension Fund Members as at 31 March	2017-2018	2018-2019	As at September 2019
Active Members	44,436	46,350	46,418
Deferred - Staff	46,448	47,365	49,494
Pensioners	35,245	37,157	38,461
Frozen Refunds	8,275	8,118	8,599
Leavers in progress	9,202	7,070	6,666
Total Membership	143,606	146,060	149,638

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 Fund to process a refund of contributions. The total net refund value is £1,598,266.56

9. The following table provides information taken from data provided to the Cipfa Benchmarking Club that provides comparison of the average cost per member against the cost of the Nottinghamshire Pension Fund.

Nottinghamshire Administration Costs compared to the average cost per member within the CIPFA Benchmarking Club

Process	2014	2015	2016	2017	2018	2019
Total Net Cost (£'000)	£1,585	£2,027	£1,475	£1,972	£1,952	£2,134
Total membership (Nos)	116,815	127,221	131,923	138,625	143,606	148,484
Cost per member	£13.57	£15.93	£11.18	£14.23	£13.59	£14.37
Average cost per member in the cipfa benchmarking club	£19.52	£18.73	£18.69	£20.14	£21.85	£21.34

For 2019 the difference between the cost per member within the Nottinghamshire Pension fund and the average cost per member within the benchmarking club (there are 30 LGPS members within the club) is £6.97.

Employer Scheme Membership

LGPS Employers	31.03.2019	Number Admitted	Changes +/-	Number Leaving *	30.09.2019
Scheduled 1					
Local Authorities	9				9
Academies	196	4		39	161
Others- Active	16				16
Others- Defunct	42		39		81
	263				267
Scheduled 2					
Town and Parish Councils	33				33
Others - Active	9				9
Others - Defunct	13				13
Total Scheduled	318				322
Admitted					
Admission	59	6		3	62

Others - Active	22			22
- Defunct	86			86
Total Admitted	167			170
Total	485			492

Academies: 19 – Flying High Trust,
20 – Our Lady of Lourdes Catholic Multi Academy Trust

These are Academies that have consolidated into single employers

New Admissions: Aspens Services Limited (Magnus),
Taylor Shaw Limited,
Webb Support Services Limited,

10. From April 2019 to September 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 has admitted 4 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.

11. 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.

12. 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. The two particular trusts that have converted to a single employer are the Flying High Trust, and Our Lady of Lourdes Catholic Academy Trust.

Activities

Annual Benefit Statements

13. It was reported at the July Pension Committee and the September Pension Board that the number of scheme employers who had provided their annual return by the deadline date and the percentage of accurate returns provided. All employers submitted their data to enable the submission of valuation and annual benefit statement data. This enabled the Fund to issue annual benefit statements to all employers' deferred and active members where data was submitted and balanced.

14. The Fund issued 41,899 deferred statements in July 2019. This was the first time that the Fund had issued benefit statement earlier than the August statutory deadline.

15. The Fund also issued 37,770 active benefit statements and prior to the statutory deadline where data had been provided by the scheme employers.
16. A further 600 benefit statements were issued in November for those members that missed the first print run due to incorrect data being provided by the scheme employers.
17. In August 2019 the Fund also issued 170,724 lines of valuation data to Barnett Waddingham, the scheme actuary. Barnett Waddingham are processing the valuation data to determine the contribution rate for the next 3 years from April 2020 onwards.

Performance Data

18. The Fund monitors its performance through a suite of service level agreement (SLA) reports, which are based on the agreed SLA's within the Administration Strategy.
19. 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 as a result, the Administration Team is able to report on its quarter 1 and 2 performance figures as attached in Appendix 1.
20. The Table presents the performance for the first two quarters 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 83%.
21. The Pension Administration Team is also able to report a significant increase in the number of completed processes in addition to the performance against the Fund KPI's. The total amount of processes completed in Quarter 1 was 8049 and Quarter 2 7018 as recorded in the Pension Administration System, this totals 15067.
22. Since the changes in legislation in May 2018, which have enabled deferred pension members over 55 years of age to seek payment of their benefits there has been a significant increase in these types of requests. The Administration Team completed 1026 processes in the last two quarters of 2018/19. This work has continued to increase with 1143 retirement quotes completed.
23. 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.

Other Administration Activities

24. The Pension Administration Team continue to undertake a data reconciliation exercise against the pension payroll. There are a number of reasons to undertake this work, including a requirement by as part of our internal and external Audit report, it is a regulator requirement, and is also necessary to support the completion of the GMP reconciliation project.
25. The Fund, as part of its GMP reconciliation project has now paid its bill to HMRC as part of the GMP financial reconciliation. A significant amount of investigation was undertaken which has

resulted in reducing the amount originally identified by HMRC of £750k to a final payment of £165K.

26. The employer portal will go live in December, and the first scheme employer, Nottinghamshire County Council is currently working through the on boarding process.
27. The Pension Fund issued the scheme return to the Pension Regulator by the deadline of 19 November, this is a statutory requirement, and updates the regulator on the scheme governance, data statistics, and information on the Pension Board, along with providing a list of employers who are members within the scheme.
28. The Fund has undertaken a data screening of the Pension Payroll which includes mortality screening, and tracing members of the scheme.
29. The Pension Fund continues to work on year end issues related to members records as an ongoing piece of work, along with working on outstanding processes including deferred benefit estimates and aggregations

Other Options Considered

30. Work will continue on the development of the SLA reports to provide a full range of benchmarking data over the coming financial year.
31. 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

32. 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

33. 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

34. The administration of the Nottinghamshire Pension Fund Administration is being delivered within existing resources at £2,134m 2019/20.

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

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For any enquiries about this report, please contact:

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Constitutional Comments (KK28.11.2019)

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

Financial Comments (KP28.11.2019)

36. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £2.134m 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

Appendix 1

1st & 2nd Quarters 2019-2020 1.04.2019 to 30.09.2019 Fund Key Performance Indicators compared to performance of the Cipfa benchmark Key Performance Indicators

Process	Fund KPI	% of cases completed within the fund KPI	No. cases completed	Cipfa Benchmark Legal Requirement (from notification)	% of cases completed within the CIPFA KPI	No. cases completed
Deaths – Initial letter acknowledging death of member	5 days	28	175	2 months	89.33	178
Deaths – letter notifying amount of dependants pension	10 days	78	173	2 months	78.99	238
Retirements –letter notifying estimate of retirement benefits	15 days	86.67	60	2 months	96.67	60
Retirements – process and pay pension benefits on time (next available payroll) –	30 days	74.71	1305	2 months	85.51	1394
Deferment Retirement Quote Letter	2 Months	95.01	1143	2 Months	95.01	1143
Deferment – calculate and notify deferred benefits	2 months	56.24	2646	2 months	56.24	2646
Transfers in/out – letter detailing transfer quote	1 month	52.01	373	2 months	52.30.	434
Refund – Process and pay a refund following election	2 months	94.34	442	2 months	94.34	442
Divorce quote – letter detailing cash equivalent value and other benefits	2 months	95.06	162	2 months	95.06	162
Divorce Settlement – Letter detailing implementation of pension sharing order	2 months	28.57	7	2 Months	28.57	7
Provision of Estimate of Benefits	2 months	91.78	766	2 Months	91.78	766