Nottinghamshire County Council

Report to Nottinghamshire Pension Fund Committee

21 July 2022

Agenda Item: 5

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 the Pension Administration Team for the period 1 April 2021 to year ending 31 March 2022.

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 current Pension Team structure comprises of the, the following areas of work:
   a. Pensions Administration
   b. Employer Support and Compliance
   c. Technical/Communications
   d. Technical/Performance
   e. Temporary McCloud Project establishment

6. The following table details the Pension Administration establishment and occupied posts. There has been a number of staff movements during the 2021-2022 Financial Year, this has included 3 experienced members of staff either leaving, retiring or reducing their hours due to a change in personal circumstances. A number of staff have achieved promotion to higher graded posts. The impact of this means that there are currently vacancies at the Pensions Administrator Grade 3 level.

7. Following approval by Committee in July 2021 a number of temporary posts were establishment to support the pension team to respond to the McCloud National Project which will require the recalculation of member benefits. All posts have been advertised once but it is proving difficult to appoint in the current labour market. All funds are reporting some difficulty in recruiting staff, and this is being monitored by the LGA.

	Establishment	As at 31.03.2021	As at 31.03.2022
Pension Team	26.20	25.77	23.18
Pension System Team	4 FTE This includes 1 FTE FTC for McCloud	3	4
GMP Project Manager (Temporary post until 31.12.22)	1	1	1
McCloud Project – all posts current offered as fixed term contracts for 2 years			

Project Manager	1	1	1
Data Officer	1	N/A	1
Admin Team	7	N/A	0
Employer Support & Compliance	1	N/A	0

8. Due to the current number of vacancies work has been undertaken to consider options for attracting new recruits to the pension administration team. A recruitment campaign was launched week commencing 11 July advertising all vacant posts through the Indeed and Pensions Career job board, a dedicated board for all types of pension roles. Job Boards enable adverts to be "pushed" directly to registered applicants. A review of the Authority's application form has been completed, as the current form was considered as a potential barrier to applicants applying. A shortened application form has been developed which requires candidates to complete a reduced number of sections with other information being picked up from the applicants CV.

9. The vacant Training Officer post was being reviewed and the responsibilities of this post have been expanded to include the establishment of an apprenticeship programme within the Pension Administration team. The apprenticeship programme would engage individuals at the entry level into the team and provide them with a route to achieving a professional pension qualification. The professional qualification programme would also be made available to existing members of the team. Once scoped this will be the subject of a separate report to Committee. An initial discussion has also taken place with Nottingham Trent University with a view to working with them to advertise vacant post to their students. Similar discussions are planned with local colleges such as West Notts. An initial discussion has also taken place with the Authority's graduate programme where the Pension Team would look to offer graduates a 6 month placement within the Pension Admin Team. This would provide the team with additional project management capacity which would accelerate the implementation of the transformation programme. We have also engaged one of our system partners in a pilot programme enabling them to undertake members transfer processes on behalf of the Fund. As part of this work an evaluation will be conducted where we will assess the feasibility of extending this engagement and widening the type of processes that our partner can undertake on behalf of the Fund. This too will be the subject of a separate report to Committee.

10. The Pension Team are also supported by a number of other teams within the Business Service Centre (BSC) whose work is recharged to the Pension Fund these include –

   - 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.

11. 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	2021
The Fund cost per member	£15.93	£11.18	£14.23	£13.59	£14.37	£14.08	£14.08
Average cost per member in the benchmarking club	£18.73	£18.69	£20.14	£21.85	£21.34	£20.02	£21.05

Data Quality

12. 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.

13. 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

14. 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.

15. 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.

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

	2019 Accuracy	2020 Accuracy	2021 Accuracy	2022 Accuracy
Common Data	59%	76%	85%	*Available September 2022
Conditional/Scheme Specific Data	60%	43%	54%	*Available September 2022

*It should be noted that the 2021-2022 figures will not be available until September due to a change in the timeline for the request for data by the Regulator

- **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.

17. The Data Audit and Improvement workstream approved by Pension Committee in September 2019, is progressing and now enables us to measure our data more accurately. This has highlighted changes in our data scores with an increase in common data accuracy and following an initial decrease in the conditional/ scheme specific data score, this too has increased following the initial application of a range of rectification routines.

18. The Data Improvement Project is moving into the bulk 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 following the completion of additional data improvement activity.

Pension Fund Membership Statistics

19. On 31st 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

20. 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	2021-2022
Active Members	44,436	46,350	47,841	43,957	44,299
Deferred members	46,448	47,365	56,068	60,935	62,501
Pensioners	35,245	37,157	38,923	40,481	42,715

Total Membership	126,129	130,872	142,832	145,373	149,515

21. 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 to 281. The reduction in numbers is due to the Fund continuing to consolidate academy trust schools into single employers. This trend will continue as academies continue to consolidate, and we anticipate further requests to the Secretary of State for other academies to transfer in and potentially out of the Fund. There is and advantage to the Fund for Academy Trusts to consolidate as it reduces complexity of administration along with reducing costs due to economies of scale.

22. The table (below) 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 as at 31/03/20	2021 Number Joined	2021 Number Leaving	2021 as at 31/03/21	2022 Number Joined	2022 Number Leaving	2022 as at 31/03/22
Scheduled								
Local Authorities		9	0	0	9	0	0	9
Academies		158	7	12	153	7	17	143
Others - active		56	3	5	54	0	1	53
Others - closed		97	17		114	19	1	132
Total Scheduled		**320**	**27**	**17**	**330**	**26**	**19**	**337**
Admitted								
Admission		57	4	7	54	5	3	56
Others	- active	22	0	0	22	0	2	20
	- defunct	95	7	0	102	5	0	107
Total Admitted		**174**	**11**	**7**	**178**	**10**	**5**	**183**
Total		**494**	**38**	**24**	**508**	**36**	**24**	**520**

The following is a list of new scheme employers 2021-2022

Scheme employer	Type of employer
Evolve Trust	Schedule 1 part 1 - Academies
Springbank Academy	Schedule 1 part 1 - Academies
John Clifford School	Schedule 1 part 1 - Academies
White Hills Park Trust	Schedule 1 part 1 - Academies
Abbey Primary School	Schedule 1 part 1 - Academies

Churchill Contract Services Limited (Nova)	Admitted - Admission
Mellors Catering Services Limited (Evolve)	Admitted - Admission
Accuro FM Limited	Admitted - Admission
St Augustine's Academy	Schedule 1 part 1 - Academies
Mount C of E Primary	Schedule 1 part 1 - Academies
Cater Link Limited (National)	Admitted - Admission
Aspens Services Limited (Nova)	Admitted - Admission

Complaints and Internal Dispute Resolution Procedure Appeals

23. Set out below are three tables which outline the number of written complaints received by the Administering Authority in 2021-2022 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.

Recorded Written Complaints						
Date	Total	Closed	Outstanding	Justified	Partial Justified	Not Justified
2021/22	31	15	16	7	6	4
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 continues to receive subject access requests made by claims companies seeking information relating to members who transferred their benefits out of the Pension Fund in past years. In 2020/21 we received 17 against 14 for 2021/22. 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 2021-2022

Total	Appeals upheld	Appeals dismissed	Progressed to stage 2	Awaiting Decision
11	2	5	3	1

IDRP - Stage 2 Appeals against the Administering Authority

Total	Appeals upheld	Appeals dismissed	Progressed Ombudsman	Awaiting Decision
3	0	0	0	3

Pensions Administration System

24. 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

25. The Employer portal is now live and has continues to be rolled out to scheme employers.

Employer Support and Compliance Team

26. 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.

27. The team also have the following contact with Nottinghamshire LPGS 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

28. The Team continue to monitor the performance of scheme employers to ensure that scheme employers meet their statutory requirements in the administration of the scheme.

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

30. In addition, there are also statutory requirements for participating scheme employers to provide timely and accurate year-end data. For the year 2020-2021, 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 July 2021 with all active benefit statements issued by the statutory date of 31 August 2021.
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 2022. Evaluation of this data is currently on going.

31. 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.

32. 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	14 May 2021	296	88%	46.6%
2021-2022	249	153	9 May	286	87%	53.5%

33. 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

34. Performance statistics in the table below represent the 4th quarter of 2021/22 and compares the performance of the Administration Team fund KPI's against the Cipfa benchmark legal requirement. Overall, the fund performance average against our KPI's is 66.8% against 66.2% the previous year. This has been impacted by the increased activity in retirements, transfers, and deaths of pension members. The fund continues to receive increased deferred members taking their benefits, as well as increased activity with transfers. It must also be noted that the transfer process was changed in November 2021 due to changes in regulations on the monitoring of transfers, this has increased the time taken to undertake the transfer process.

35. 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. Several processes were put on hold and these included transfers of benefits.

4 Quarters 2021-2022 1.04.2021 to 31.03.2022 Pension Administration Cipfa Benchmark Key Performance Indicators			
Process	Cipfa benchmark legal requirement (from notification)	No.cases completed within the Year	% of cases completed within CIFPA KPI
Deaths – All activities	2 months	1087	89.14
Deaths – Acknowledging death of member letter	2 months	496	93.95
Deaths – letter notifying amount of dependent's pension	2 months	591	85.11
Deferments	2 months	4492	32.68
Retirements- process and pay pension benefits (at next available payroll)	2 months	2521	84.85
Retirement – Estimate of retirement benefits letter (CAT A)	2 months	1624	95.94
Retirement – Estimate of retirement benefits letter (CAT B)	2 months	81	88.89
Deferred Retirement Quotes	2 months	2449	95.1
Transfer - Quotes	2 months	766	41.64
*Transfers – actual – internal KPI no CIPFA KPI stated	1 month	433	44.11
Divorce Quotes	3 months	282	98.58
Divorce Settlement	3 months	15	40
Refunds	2 months	639	99.22

36. Table 1 details the number of completed processes with the KPIs by Financial Year with the measurement commencing in 2017/2018. This table shows the increase in the number of completed processes year on year with the exception for 2020-2021, where a decrease was

recorded. This is inevitably due to the initial impact of the pandemic with the administration team moving to working from home, staff having to undertake home schooling, COVID related absence and staff turnover. However as can be seen from the figures for 2021-2022 the number of completed processes within KPIs has increased to 15,843 an increase of 4,120 completed processes or **35%.**
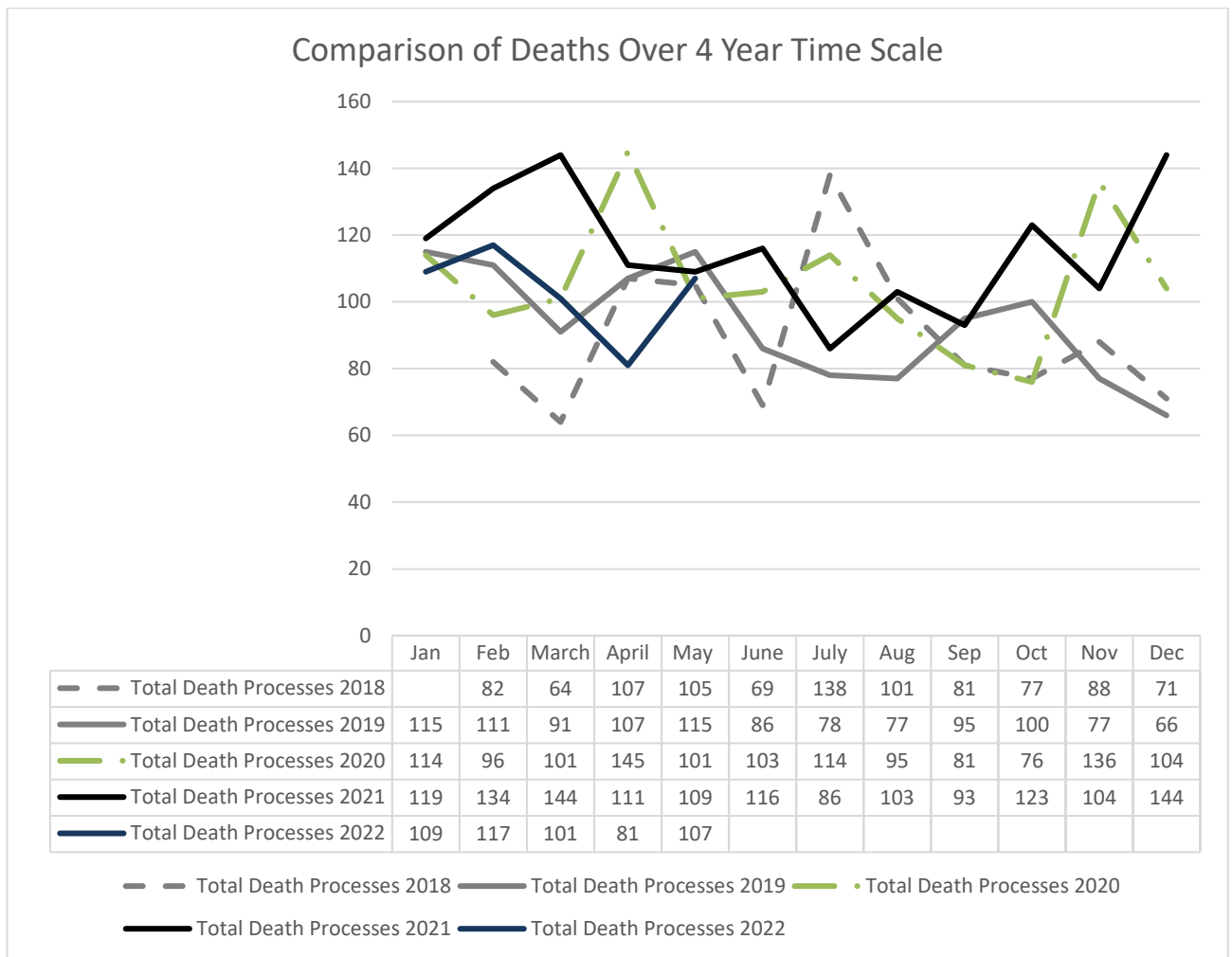
Table 1					
Years	2017/18	2018/19	2019/20	2020/21	2021/22
No of KPI Processes Completed	7,617	10,688	12,138	11,723	15,843
Difference	0	3,071	1,450	-415	4,120
% Change in difference	⇨ 0.00%	⬆ 40.32%	⬆ 13.57%	⬇ -3.42%	⬆ 35.14%

37. Table 2 gives a comparison of all activities reported in the Pension Administration System and again we see a slight decrease, in 2020-2021 due to COVID.

Table 2				
Years	2018/19	2019/20	2020/21	2021/22
No of Processes completed	51,976	56,722	53,121	56,900
Difference	0	4,746	-3,601	3,779
% Change in Difference	⇨ 0.00%	⬆ 9.13%	⬇ -6.35%	⬆ 7.11%

38. 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, in table 2 above this shows there has been a 7.1% increase in the numbers of total processes across the fund being completed.

39. The member death process is the most difficult statistic to gather and measure. The difficulty is the date and timing of when the Pension Administration Team are informed of a death, against when the team receive all the necessary documentation. Where the relevant information is provided death in service grants are paid within 5 days to the next of kin.

40. Following a number of appeals to the Ombudsman across the LGPS relating to the release of death grants to the next of kin, the Fund now reviews each individual death grant payable, and where required seeks additional information prior to release of death grant benefits.

41. The following graph shows the number of deaths processed each year. These statistics include death in retirement, death in deferment, death in service and death of preserved refunds.

42. From January 2020 to April 2022 the average monthly deaths was 107 per month, Pre Pandemic the average death per month was approximately 91 deaths. However, the statistics, show that the Nottinghamshire Pension Fund has followed the national trends during the COVID waves.

43. Another trend that the fund has seen is the number of death in service cases in 2021/22 we saw 70 deaths which averaged 6 deaths per month, again this trend has increased from pre pandemic levels.

Comparison of Deaths Over 4 Year Time Scale

	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Total Death Processes 2018		82	64	107	105	69	138	101	81	77	88	71
Total Death Processes 2019	115	111	91	107	115	86	78	77	95	100	77	66
Total Death Processes 2020	114	96	101	145	101	103	114	95	81	76	136	104
Total Death Processes 2021	119	134	144	111	109	116	86	103	93	123	104	144
Total Death Processes 2022	109	117	101	81	107							

Legend: Total Death Processes 2018, Total Death Processes 2019, Total Death Processes 2020, Total Death Processes 2021, Total Death Processes 2022

	2018	2019	2020	2021	2022
Average no of Deaths Per Month	89	93	105	115	103

Other Options Considered

44. 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

45. 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

46. 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

47. The administration of the Nottinghamshire Pension Fund is being delivered within existing resources at a cost of £3.2m including all costs and external fees.

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 12.07.2022)

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

Financial Comments (KP 12.07.2022)

49. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £3.2m at 2021-22 including all costs and external fees.

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