

HAMPSHIRE COUNTY COUNCIL

Decision Report

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| Panel: | Pension Fund |
| Date: | 13 June 2014 |
| Title: | Pensions administration performance update |
| Reference: | 5911 |
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1. Summary

1.1. The purpose of this paper is to update the Panel on administrative performance between October 2013 and March 2014, and highlight key activities planned for the next year.

2. Administration performance

2.1. Pensions Services provide the administration of pension entitlements for members of the Hampshire Pension Fund, as well as for members of the Police Pension Schemes and Firefighter's Pension Schemes.

2.2. Pension scheme regulations set out the requirements for providing members with information about their pension benefits. For most types of calculation or correspondence, the statutory service standard is 8 weeks.

2.3. Pensions Services' administration performance against statutory deadlines for key casework is measured each month. Due to their greater time sensitivity, retirements and estimates have always been given priority, and are measured against a service standard of 4 weeks.

2.4. For deferred benefits and notional transfers (changes of employer within the Hampshire Pension Fund), the service standard is 8 weeks because these cases are less time sensitive.

2.5. The processing times for casework in the last two quarters of 2013 / 14 is shown in the tables below.

Quarter 3 – completed work and time taken to process

| Area of work | 0-5d | 6-10d | 11-15d | 16-20d | 21-40d | 41+d | number of completed cases | % comp on time |
|--------------------------|-------------|------------|------------|------------|-------------|----------|---------------------------|----------------|
| | 1 Week | 2 Weeks | 3 Weeks | 4 Weeks | 5 - 8 weeks | 8 weeks+ | | |
| Retirements | 512 | 250 | 70 | 7 | 0 | 0 | 839 | 100% |
| Estimates | 158 | 98 | 51 | 4 | 0 | 0 | 311 | 100% |
| Deferreds | 90 | 198 | 518 | 490 | 49 | 0 | 1345 | 100% |
| Notionals | 57 | 56 | 29 | 4 | 0 | 0 | 146 | 100% |
| Interfunds | 139 | 10 | 4 | 1 | 0 | 0 | 154 | 100% |
| Transfers | 258 | 21 | 6 | 1 | 0 | 0 | 286 | 100% |
| Divorce | 85 | 5 | 1 | 0 | 0 | 0 | 91 | 100% |
| Other leavers | 18 | 0 | 0 | 0 | 0 | 0 | 18 | 100% |
| Pension Payroll starters | 561 | 9 | 4 | 0 | 0 | 0 | 574 | 100% |
| Total | 1878 | 647 | 683 | 507 | 49 | 0 | 3764 | |

Quarter 4 – completed work and time taken to process

| Area of work | 0-5d | 6-10d | 11-15d | 16-20d | 21-40d | 41+d | Total number of completed cases | % comp on time |
|--------------------------|-------------|------------|------------|------------|-------------|----------|---------------------------------|----------------|
| | 1 Week | 2 Weeks | 3 Weeks | 4 Weeks | 5 - 8 weeks | 8 weeks+ | | |
| Retirements | 440 | 212 | 146 | 5 | 0 | 0 | 803 | 100% |
| Estimates | 112 | 80 | 73 | 1 | 0 | 0 | 266 | 100% |
| Deferreds | 98 | 52 | 77 | 115 | 1383 | 0 | 1725 | 100% |
| Notionals | 48 | 52 | 90 | 54 | 1 | 0 | 245 | 100% |
| Interfunds | 112 | 22 | 27 | 6 | 1 | 0 | 168 | 100% |
| Transfers | 231 | 54 | 14 | 0 | 0 | 0 | 299 | 100% |
| Divorce | 83 | 17 | 1 | 0 | 0 | 0 | 101 | 100% |
| Other leavers | 23 | 1 | 1 | 0 | 0 | 0 | 25 | 100% |
| Pension Payroll starters | 650 | 26 | 6 | 4 | 0 | 0 | 686 | 100% |
| Total | 1797 | 516 | 435 | 185 | 1385 | 0 | 4318 | |

Work in progress at the end of each month is also measured by age and processed in date order to ensure achievement of service standards. The table below shows the analysis of outstanding work for the key processes at the end of March.

| Area of work | 0-5d | 6-10d | 11-20d | 21-40d | 41+d | Total number of |
|--------------------------|------------|------------|-------------|-------------|----------|-----------------|
| | 1 Week | 2 Weeks | 3 - 4 Weeks | 5 - 8 Weeks | 8 weeks+ | |
| Retirements | 67 | 8 | 6 | 0 | 0 | 81 |
| Estimates | 11 | 4 | 0 | 0 | 0 | 15 |
| Deferreds | 171 | 74 | 257 | 79 | 0 | 581 |
| Notionals | 15 | 7 | 1 | 0 | 0 | 23 |
| Interfunds | 2 | 1 | 0 | 0 | 0 | 3 |
| Transfers | 7 | 2 | 1 | 0 | 0 | 10 |
| Divorce | 3 | 2 | 0 | 0 | 0 | 5 |
| Other leavers | 0 | 0 | 0 | 0 | 0 | 0 |
| Pension Payroll starters | 9 | 2 | 0 | 0 | 0 | 11 |
| Total | 285 | 100 | 265 | 79 | 0 | 729 |

2.6. Total work in progress casework at the end of March represents just over two week's work.

3. New LGPS 2014

- 3.1. The regulations for the 2014 LGPS were published on 19 September 2013 and the transitional regulations were published on 10 March 2014. The transitional regulations set out how existing members would move to the new scheme on 1 April 2014 and cover the treatment of pension rights built up before this date.
- 3.2. The Government Actuary's Department has provided most of the information required to calculate benefits in the new scheme, although there is still some outstanding guidance. This has meant that Pensions Services have been able to process casework for the new scheme without the need to stockpile significant volumes of work.
- 3.3. The Pensions 2014 project team ensured that staff, employers and scheme members received sufficient information about the changes to allow a smooth transition. The employer workshops and employer focus group meetings were well received and provided an opportunity for employers to discuss the changes and share best practice.
- 3.4. Employee presentations on the new scheme have been held at locations across the county, in conjunction with the Prudential. These have been well attended with positive feedback about the accessibility of the information being presented.
- 3.5. To comply with statutory disclosure regulations, a letter outlining the main scheme changes will be sent to all members by 30 June 2014.
- 3.6. Further regulations for the LGPS 2014 are expected over the next few months, covering some minor amendments as well as necessary legislation to address councillor pensions and governance arrangements.

4. Councillor pensions

- 4.1. The government announced the outcome of the consultation on councillor access to the LGPS in March. No new councillors would be allowed to join the LGPS after 31 March and existing councillor members would cease to be eligible for membership once their current term of office ended.
- 4.2. It has been confirmed that a councillor can request payment of their pension benefits from age 60 if they are no longer eligible for the LGPS, even if they are still in office at that date.

5. Governance regulations

- 5.1. In order for the LGPS 2014 to comply with the Public Service Pensions Act 2013, a number of changes to scheme governance need to be implemented by 1 April 2015. The key elements are:
 - The new local roles of Scheme Manager and Pension Board
 - The requirement to have a national Scheme Advisory Board
 - The extension of the Pension Regulator's role into the public sector.

5.2. The draft regulations detailing these changes are expected to be issued in mid June 2014, with final regulations in the autumn. Although it is not expected that these regulations will impact on the current role of the Panel, or delegated powers to the Director of Corporate Resources, there will be a requirement to set up a Pensions Board which will have oversight of scheme administration for the Hampshire LGPS.

5.3. It is expected that the governance regulations:

- will require each LGPS Administering Authority to put a Pension Board in place in addition to any existing Pension Panel/Committee
- may have minimum requirements in relation to the numbers of scheme member and employer representatives on the Board (and, under the Act, those numbers have to be equal numbers)
- may prevent members of the existing Pension Panel/Committee from also being members of the Pension Board (to ensure some element of independent oversight)
- will require the terms of reference and all appointments to the Pension Board to be agreed by full Council (and, as such, these cannot be delegated to the Pension Panel)
- will highlight that the Pension Board can provide oversight as to whether the Fund is complying with legislation and with the Pension Regulator's guidance
- will confirm that the Pension Board should not have decision making powers in relation to the Fund.

5.4. Once the draft regulations have been issued, further assessment of the necessary changes will be made by Pensions Services.

6. Administration costs

6.1. Good practice suggests that total administration costs should be around 0.3% of the total employer payroll for the Fund. The 2013 valuation data gives the figure of £877m for the Hampshire Pension Fund, resulting in a suggested administration cost of £2.63m (£19.86 per member).

6.2. The provisional administration cost for 2013 / 14 is £2.3m (£17.30 per member).

7. Customer service

7.1. Pensions Services retained their full CSE accreditation in a light touch assessment in April. However, work is required across the section to ensure the consistency and quality of the service which is provided. This requirement will be addressed as part of a staffing review for Pensions Services.

7.2. During 2013 / 14 three formal complaints were received about the level of service provided by Pensions Services to members. A further three formal complaints have been addressed since April. When complaints are received,

Pensions Services review processes in order to identify the cause and avoid recurrence. In all these cases, the complaints resulted from mistakes which could have been avoided if more care had been paid by those processing the casework. Further training and support will be given to staff, to minimise future complaints.

- 7.3. Under the LGPS members have access to a two stage formal dispute resolution procedure (known as IDR). During 2013 / 14, 2 cases were heard at Stage 1 and 2 at Stage 2. In addition, two cases which had been rejected at both stages of the IDR were passed to the Pensions Ombudsman to investigate. None of the cases have been upheld.

8. End of year employer returns

- 8.1. End of year support sessions were delivered to employers to help them understand the requirements for the end of year submissions, due at the end of April.

- 8.2. The table below shows the number of employer returns received by 31 May.

| | Due | Received | Outstanding |
|----------------------------------|------------|-----------------|--------------------|
| Number of returns | 341 | 299 | 42 |
| Members covered by return | 63,232 | 55,773 | 7,459 |

Some employers have informed Pensions Services that their return will be delayed, as a result of staffing cuts in employer payroll sections. Pensions Services staff are talking with these employers to ensure that the delays are minimised and benefit statements can be produced within the statutory timescales.

- 8.3. Next year under the new regulations, the statutory deadline for the dispatch of annual benefit statements will be brought forward to 31 August, from 6 October. Work will be undertaken by Pensions staff to ensure that this earlier deadline will be achieved.
- 8.4. Benefit statements for deferred members are due to be sent out to home addresses in July.

9. Further LGPS reform

- 9.1. The government has issued a consultation on LGPS reform, following the Call for Evidence and input from Hymans Robertson: This is covered in detail in a separate report as the focus is now on changing the investment approach.
- 9.2. The Minister is still happy to consider fund mergers if the savings from investment changes are not delivered.

10. Recommendations

10.1. It is recommended that:

- the Panel note the administration performance for 2013/14.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

| | |
|--|--------|
| Hampshire safer and more secure for all: | yes/no |
| Corporate Improvement plan link number (if appropriate): | |
| Maximising well-being: | yes/no |
| Corporate Improvement plan link number (if appropriate): | |
| Enhancing our quality of place: | yes/no |
| Corporate Improvement plan link number (if appropriate): | |

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.