

Hampshire Pension Services Performance Report

1. Executive Summary

- 1.1. The purpose of this paper is to update the local Hampshire Fire Pension Board on administrative performance between April and December 2015.

2. Background

- 2.1. Pensions Services administer the fire pension schemes on behalf of the Chief Fire Officer, under the Joint Working agreement between Hampshire County Council, Hampshire Fire & Rescue Authority (HFRA), the Police & Crime Commissioner for Hampshire and the Chief Constable of Hampshire Constabulary.
- 2.2. Responsibility for the fire schemes sits with HFRA as the scheme manager (which has now been delegated to Finance and General Purposes Committee). Pensions Services therefore administer the schemes in accordance with the statutory regulations and any instructions from the HFRA on discretionary matters. HFRA are part of the shared services arrangements so all salary and service information required for pension calculations is provided to Pensions by the Integrated Business Centre (IBC). Pensions also administer the LGPS for the Hampshire Pension Fund and the Hampshire police pension schemes.

3. New administration system

- 3.1. Pensions moved onto a new administration system at the end of 2014. The change was necessary because the existing system reached its end of life on 31 December, with the supplier withdrawing access from that date.
- 3.2. The migration was successful with the first pensioner payroll being paid from the new system, UPM, in December, following extensive testing and running in parallel with the old system in the 4 previous months.
- 3.3. UPM enables Pensions to streamline existing processes, and with greater use of electronic document management and workflow solutions, there are significant opportunities to increase administrative efficiency.
- 3.4. UPM is primarily designed for the LGPS and is used by some of the largest LGPS Funds in the country. However, of the Funds currently on UPM, there are only four authorities who are using the system for fire pension schemes. Although all the fire data was migrated successfully onto UPM, Civica, the software supplier, had not fully developed the necessary suite of calculations required to administer all elements of the fire schemes.
- 3.5. The delay in implementation of fire pension calculations has not affected the payment of any pensions, lump sums or transfers out of the scheme. Pensions are working closely with Civica to get the calculations delivered, but the impact has affected Pensions' performance in the first two quarters of 2015/16.

4. New CARE scheme

- 4.1. The new fire CARE scheme came into effect on 1 April 2015, with almost 800 firefighters moving straight across into the new scheme. Pensions have updated the fire pension webpages to provide information on the new scheme and have processed a small number of estimates and deferred benefits for firefighters in the 2015 scheme (though the majority of casework will continue to be for older members who will tend to be in the 1992 and 2006 schemes).

5. Administration performance

- 5.1. Pensions Services' administration performance against service standards for key casework is measured each month. This information is used internally to improve processes and will be reported to the Board in regular administration update reports.
- 5.2. The tables below show the performance over the first three quarters and other than one estimate that was not completed on time, all other performance standards have been hit, even allowing for the change in systems:

Type of case	Cases completed Q1 2015/16					Total	On target?
	0-5 days	6-10 days	11-15 days	16-20 days	20-40 days		
Retirement	3	0	0	0	0	3	100.00%
Deferred retirement	1	0	0	0	0	1	100.00%
Estimate	2	2	0	1	0	5	100.00%
Deferred	31	20	4	0	0	55	100.00%
Transfer out	0	0	0	0	0	0	
Divorce	0	0	0	0	0	0	

Type of case	Cases completed Q2 2015/16					Total	On target?
	0-5 days	6-10 days	11-15 days	16-20 days	20-40 days		
Retirement	2	0	0	0	0	2	100.00%
Deferred retirement	0	0	0	0	0	0	-
Estimate	2	0	1	0	1	4	75.00%
Deferred	10	3	3	3	2	21	100.00%
Transfer out	0	0	0	0	0	0	-
Divorce	0	0	0	0	0	0	-

Type of case	Cases completed Q3 2015/16					Total	On target?
	0-5 days	6-10 days	11-15 days	16-20 days	20-40 days		
Retirement	1	0	0	0	0	1	100.00%
Deferred retirement	1	0	0	0	0	1	100.00%
Estimate	6	8	8	1	0	23	100.00%
Deferred	0	0	1	0	4	5	100.00%
Transfer out	0	0	0	0	0	0	-
Divorce	0	0	0	0	0	0	-

- 5.3. The delay in provision of the estimate information in Q2 was due to unclear processes within Pensions following the system implementation. The work had been completed but not passed for authorisation and it was only identified after the standard had been breached. For this one case the estimate took 24 days, which was 4 days late. A separate Fire authorisation area has been set up in UPM so that the Operation managers can now easily identify outstanding work.

6. Customer Service Excellence

- 6.1. Pensions Services have held the Customer Service Excellence (CSE) standard since 2009, and retained the award following a three year full assessment in April 2015.
- 6.2. The CSE assessment considers how Pensions deliver against over 50 criteria in 5 key areas:
- Customer insight
 - Culture of the organisation
 - Information and access
 - Delivery
 - Timeliness and quality of service

The assessment considers evidence from Pensions against each of the criteria as well as independent feedback from employers and members. The assessor commented that “the feedback is excellent and confirms that Pensions fulfil promises, resolve problems quickly and make services easily accessible.” He also stated that “there are many examples of you using staff customer insight to bring about service improvements”.

- 6.3. Pensions received 3 partial compliances against the criteria, because of the dip in performance against service standards. Two of these were because not all targets were met and the third was because the dip in performance was not publicised. These partial compliances will be addressed for the next ‘light touch’ assessment in April 2016, by ensuring that all service standards are met.

7. GMP reconciliation exercise

- 7.1. The fire pension schemes, like all public sector schemes, are currently ‘contracted out’ of the state second pension scheme. This means that members pay lower national insurance contributions but are only eligible for the basic state pension. As part of being a contracted out scheme, the schemes have to ensure that the pension it pays is as least as good as the member would have received had they been entitled to the additional state pension. This notional pension amount is known as the Guaranteed Minimum Pension (GMP).
- 7.2. The GMP is only applied to an individual when they start to receive a pension. When a member moves between pension schemes, information

about their GMP entitlement has to be given to HMRC so that they know which scheme holds the GMP liability.

- 7.3. From April 2016, contracting out will cease as the Government introduces the single tier state pension. The result of this is that HMRC will no longer maintain GMP data on an ongoing basis, and instead will assign the GMP liability to the last recorded scheme that the member belonged to. All pension schemes have to reconcile their records with HMRC records (which are often out of date) by 2018.
- 7.4. Pensions have retrieved the HMRC data for the Hampshire fire pension schemes and have compared it to the records held on the pensions system. This initial exercise has identified:
 - 128 records where the GMP amount held by HMRC differs to the amount held on the pension system
 - 298 records where there is a GMP liability on the pension system but HMRC do not have a corresponding record
 - 126 records where there is no GMP liability on the pension system but HMRC does show a liability.
- 7.5. Following the initial analysis, 198 queries were raised with HMRC to which responses have largely been received. There are now about 30 secondary queries which need to be resubmitted to HMRC and less than 12 cases to be recalculated using the information HMRC have provided.

8. GAD v Milne – Ombudsman case

- 8.1. Mr Milne, a retired firefighter, won his appeal against the Government Actuary's Department (GAD) after claiming that GAD had failed in their duty to keep up to date the commutation factors used to provide a lump sum on retirement. Following the Ombudsman's ruling, the Government agreed that fire officers and firefighters, who retired between December 2001 and November 2006 and chose to commute pension for lump sum, should have additional payments made in order to compensate them for this failure.
- 8.2. 153 officers in the Hampshire fire schemes were initially identified as being eligible, and the additional lump sum payments calculated to cost a total of just under £2m. In addition there was £33,700 paid in arrears of pension. The calculations were run using the GAD bulk calculator, with the results signed off by GAD.
- 8.3. Payments were made to all those affected on 1 December 2015.

9. Annual benefit statements

- 9.1. Annual benefit statements are sent to all scheme members each year, based on current pay information provided by the IBC. The statements show the value of their benefits at 31 March each year and a projection to retirement (although a projection was not possible last year because there was no information about how firefighters would transition to the new scheme). Under the current scheme rules, statements have to be produced

by the 31 March following the end of the year. Next year the deadline for producing statements will be 31 August.

- 9.2. The IBC provided the necessary year end pay and service information to Pensions Services at the end of September, and statements for all active members of the 1992 and 2006 schemes were sent to home addresses by 18 December. These statements contained a projection for firefighters with full protection who will not transition to the 2015 scheme. Statements for firefighters who have a deferred pension were sent at the end of November.

10. Fire pension scheme valuation

- 10.1. GAD requested data from fire pension schemes by 14 August in order for them to carry out a valuation. Due to delays with Civica delivering the necessary reports, GAD agreed to an extended deadline of 2 September.
- 10.2. However it was not possible to meet this deadline because of the delay in provision of the year end data. The data was validated and submitted to GAD on 19 November. The IBC are aware of the need to supply end of year information by the deadline of 30 April next year, to allow Pensions Services to meet the GAD valuation deadline of 12 August and the statutory annual benefit statement deadline of 31 August 2016.

11. Recommendations

- 11.1. That the Board note the information contained in this report.