

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel
Date:	9 July 2015
Title:	Pensions administration update
Reference:	6781
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Nick Weaver

Tel: 01962 847584

Email: nick.weaver@hants.gov.uk

1. Executive Summary

1.1. The purpose of this paper is to update the Panel on administrative performance in 2014 / 15.

2. New administration system

- 2.1. As reported to Panel in November, 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.
- 2.2. The migration was successful with the first pensioner payroll being paid from the new system in December, following extensive testing and running in parallel with the old system in the 4 previous months.
- 2.3. The new system enables Pensions to streamline existing processes, and with greater use of electronic document management and workflow solutions, the new system offers significant opportunities to increase administrative efficiency. It is anticipated that deferred members will be able to access their information on-line by the end of this year, with an annual saving of over £50,000 in postage costs.
- 2.4. Pensions have been working closely with Civica, the supplier of the new system, to ensure future developments help improve administration. Hampshire Pension Fund was voted as chair of the user group to ensure collaborative working with the other Funds using the product (including West Midlands and West Yorkshire, two of the largest Funds in the country).

3. Administration performance

- 3.1. 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.
- 3.2. Pensions Services' administration performance against service standards for key casework is measured each month. This information is used internally to improve processes and is published annually in the annual report.
- 3.3. There has been a dip in performance during the migration to new system, and this is shown in the table below. In order to manage the work loads through the migration, Pensions switched focus to ensuring that work was completed in priority order (to get people paid on time) rather than in the order that the work is received (to make sure that all work is completed within 8 weeks).
- 3.4. Now that the new system is fully operational, workloads are reducing and some of the efficiencies of the new system are being felt. As the system is fully embedded, it is anticipated that significant improvements, in timeliness and cost of processing casework, will be seen.

Area of work	Days taken to process						Total	On -time
	0-5 days	6-10 days	11-15 days	16-20 days	4-8 weeks	8 weeks +		
Calculating pensions for people who retire	1,459	598	1,010	160	106	16	3,349	96%
Estimate of pension benefits	612	373	736	129	137	24	2,011	91%
Leavers not yet able to take pension	433	213	188	722	2,255	133	3,944	97%
Joining up of multiple pension benefits	182	84	92	96	62	5	521	99%
Transfers between LGPS schemes	221	49	89	52	4	1	416	100%
Transfers from / to private pension schemes	552	209	124	46	65	26	1,022	97%
Divorce	192	92	25	21	33	5	368	99%
Other leavers	350	66	46	30	166	152	810	81%
New pensioners	1,897	25	8	6	3	1	1,940	100%

4. Customer Service Excellence

- 4.1. 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.
- 4.2. 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”.

- 4.3. 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.
- 4.4. There were six formal complaints made in 2014 / 15, four from pensioners and two from people about to retire. There were 8 IDRPs appeals, 6 at stage two following an employer turning down an ill health retirement appeal at stage one and 2 that went through stages one and two in the year, regarding Pensions’ handling of their retirements. Both of these appeals were turned down at stage two and are now with the Pensions Ombudsman for consideration.

5. Administration costs

- 5.1. 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).
- 5.2. The provisional administration cost for 2014 / 15 is £2.3m (£16.31 per member). This is a lower cost per member than in 2013 / 14 due to an increase in membership.

6. GMP reconciliation exercise

- 6.1. The LGPS, like all public sector schemes, is currently ‘contracted out’ of the state second pension scheme. This means that LGPS employers and members pay lower national insurance contributions but members are only eligible for the basic state pension. As part of being a contracted out scheme, the LGPS has 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).
- 6.2. 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.
- 6.3. 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.

- 6.4. Pensions have retrieved the HMRC data for the Hampshire Fund and have compared it to the records held on the pensions system. This initial exercise has identified about a 30% mis-match (e.g. HMRC data showing GMPs for members who do not have a pensions record, or existing members not having HMRC data). This is the typical experience across other LGPS funds who have completed this initial stage of comparison.
- 6.5. The next stage is to reconcile the differences between the HMRC data and Pensions data, which is a largely manual process. There are third party organisations who are offering this reconciliation service, and they anticipate that for a Fund the size of Hampshire, the resources required will be around 3 fte over a 9 month period. A full assessment of the options for completing this work internally or contracting with a third party is now being made.

7. Recommendations

- 7.1. That the Panel note the information contained in this report.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes/no
Corporate Business plan link number (if appropriate):	
Maximising well-being:	yes/no
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	yes/no
Corporate Business plan link number (if appropriate):	
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because actions are required concerning the training of Pension Fund Panel members.	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

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.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

1.3. 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.