



City of Westminster

Pension Fund Committee

Date:	23rd June 2022
Classification:	General
Title:	COWPF LGPS Projects Update
Report of:	Diana McDonnell-Pascoe Pensions Project Manager, People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	£18,200

1. Introduction

The purpose of this paper is to update the Pension Committee on the various projects being undertaken by the Pensions and Payroll Team to improve the administration of the City of Westminster Pension Fund (COWPF) Local Government Pension Scheme (LGPS).

2. Current Projects

2.1. Pension Website

The current pension website is being reviewed as to suitability and fitness for purpose. Areas under review include, Equality, Diversity and Inclusion, Value for Money, and the type of content we offer. This review is being conducted because of our transfer from Surrey County Council (SCC) to Hampshire Pensions Services (HPS). When we were with SCC, we needed our own website however HPS have their own and can provide access to most but not all of the information our website provides. We will still need to provide the remaining information somewhere, so we are investigating and reviewing our options.

So far, we have reviewed the website with the ABLE network and will also aim to review it with the BAME network shortly. We have had positive feedback from one visually impaired member of staff who said the current website worked well with his read out loud software. We had a joint review with Hampshire Pensions Services also.

Further evaluation work on the viability of the website will include using a decision matrix to compare different options, using Google Analytics to analyse the traffic to the site, conducting a survey of our members, pensioners, employers to get their stakeholder feedback, creating curated focus groups for reviewing the site and other options so we can ensure we have the best solution available to us and our customers. We are also looking at untapped opportunities that may be in our interest to explore in terms of online promotion of the good things that the Pension Funds does such as green investment.

2.2. Guaranteed Minimum Pension (GMP)

2.2.1. What is Guaranteed Minimum Pension?

A GMP is a minimum pension that a workplace pension scheme normally provides. It only applies to people who were contracted out of the Additional State Pension from 6 April 1978 to 5 April 1997.

The GMP you get from a workplace pension scheme is usually the same, or more than, the Additional State Pension you would have got if you had not been contracted out.

Each year pension schemes have to increase the amount of GMP built up from April 1988 to April 1997 in line with living costs, this is capped at 3%. This is called 'indexation'. Pension schemes did not have to provide indexation to GMPs built up between April 1978 and April 1988. However, in public sector pensions any indexation built up from April 1978 to April 1988 is protected. It will be paid by the pension scheme.

To stop people with GMPs losing out they could be paid increases to cover living costs through the Additional State Pension. It only applied to people reaching State Pension age before 6 April 2016.

2.2.2. What responsibilities does COWPF LGPS have?

Our responsibility is to conduct an exercise to reconcile the COWPF LGPS records with those of Her Majesty's Revenue and Customs (HMRC) to ensure that GMP benefits are recorded at the correct level, and that members' records are rectified so they receive their correct benefits under the Scheme.

A project was created to run this exercise and complete the rectification by our previous pension scheme administrators, Surrey County Council, who contracted the specific reconciliation work out to Mercer Ltd. Although we have moved to a new pension scheme administrator, Hampshire Pension Services (HPS), we are continuing to partner with Mercer Ltd to deliver the project.

2.2.3. What is the status of the GMP project?

The GMP reconciliation is now complete and there are no outstanding client decisions on reconciliation. Once decisions on the approach to GMP rectification have been agreed, and the calculations performed, the results will be used to manage all the adjustments required to payroll records at a single point. The deferred members will also require adjustment. While the GMP values have been reconciled during the reconciliation process, individual member records will require update or correction given values used in the calculation of benefits for some members will not be correct.

We are currently working with HPS and Mercer to enter the rectification phase of the project. We anticipate that this will start no later than August

2022. We anticipate the rectification phase to take approximately seven months and have a deadline of completing the rectification phase by the end of February 2023 because the new financial year will require calculations for pensions increases which will invalidate any rectification completed already.

2.2.4 Project Costs

The agreed cost for this project with Mercer is £33,000 as previously agreed at the 16th of December Pension Committee meeting.

For background, Mercer were originally running the project on our behalf as appointed by Surrey County Council for all Surrey's managed pension funds. The previous pension committee approved us running the project directly with Mercer because Mercer could deliver the project at a substantially lower cost.

Despite choosing Mercer to deliver the project, we knew there would be some supplementary costs charged by HPS and the software supplier Civica for the uploading of data and some additional work once the data was ready for upload, however, we did not have exact clarification on what these costs would be in December as we had not been provided with the detailed breakdown from Mercer in advance.

Mercer have now provided the fund and HPS with a breakdown of the format that they require updated pension fund data in following the running of the pension increase in April. The data requirement is significant and detailed requiring not only data on pensions in payment but preserved and active members with full breakdown of service including transferred in service that may all impact a GMP. HPS have asked Civica to quote to provide that data download as it is beyond the capabilities of their internal team. The cost has come back at £18,200 for Civica to complete that work.

Consequently, the original Mercer cost of £33,000 and the new Civica cost of £18,200 combined comes to a new project cost of £51,200. However, this new project cost is still substantially less than the alternative project cost of £81,400 where HPS deliver the project (£62,400) with Mercer's rectified data (£19,000).

Therefore, I am proposing that we agree to request HPS to engage Civica as soon as possible as they need to be booked in to complete the data work and so that we can move forward with this project. I am asking the Committee to support this request.

2.3. McCloud

As the Committee is aware, the McCloud judgement was aimed at preventing age discrimination in the LGPS. This means that COWPF LGPS needs to recalculate the benefits for eligible members for the remedy period of 1st April 2014 to 31st March 2022.

The benefits recalculation is in two phases. Phase 1 requires the collection of data on eligible members and Phase 2 is the recalculation of benefits of eligible members. Once the benefits have been recalculated, the members will be contacted and informed as to the changes, if applicable, to their benefits.

2.3.1. Workstream 1 – COWPF Employer Data Collection – led by Zuzana Fernandes, COWPF Pension Team

We have submitted the first set of Prospects data from 01.04.2014 to 31.03.2021.

Twenty-two schools in Westminster use Strictly Education for their payroll service; of those 22 schools, seven have returned their McCloud Data up to 31st March 2021.

The data for 1st April 2021 to 31st March 2022 is due to be sent in by 30th June 2022. Some schools have started submitting their 21/ 22 data before the June deadline.

2.3.2. Workstream 2 – WCC Data Collection – led by Diana McDonnell-Pascoe, WCC Payroll Team

In this workstream we are collecting the McCloud data for Westminster City Council as an employer. We have three legacy payroll systems (Oracle, Agresso and CIPHR) and the current payroll system, IBC, to obtain the data from.

Current progress is as follows:

- Our IBC colleagues are in the process of sending the required data to Hampshire Pension Services.
- We have worked with Blue Planet Software to create a custom report in Agresso to download a report which is currently being reviewed prior to submission. The approximate cost of this is £2k-£4k.
- We are working with our IT colleagues to extract the data from the CIPHR databases in a viable format for review.
- We are in the process of negotiating with Oracle Development to create a custom reporting mechanism to get the relevant data out of the Oracle database. There will be a one-off cost to migrate the data to an active data warehouse (ADW) so that the online reporting mechanism can be created and then there will be an increase to our annual subscription costs in order to access the full functionality of this reporting mechanism. I am still awaiting the quotes for these from Oracle and will update the Committee when I receive them.

This project has been complex, time-consuming, and very involved due to the high customisation of data reporting required across different systems which has meant that we have had to work quite closely with different

consultants to get what we need. Also, because this project fulfils a statutory requirement, we have no option other than to find and obtain the data from the various systems that contain the data and pay the costs incurred while doing so.

Therefore, I submit that it may be prudent to scope out and cost a project to move the legacy data in-house to a data warehouse and build a simple interface and reporting mechanism with our IT colleagues so that any future requirements, legislative or otherwise, can be satisfied more easily and cost-effectively in future. At present, we must pay various consultants / organisations to access and process the data each time we want to create custom reports or change access type. I would like to ask the Committee's consent to scope and cost such a project with a view to evaluating the cost effectiveness of merging our legacy data in that way versus continuing to pay consultants / organisations on an ad hoc basis as required.

2.3.3. Workstream 3 – LGPS Benefits Recalculation Exercise – led by Hayley Read, HPS Pension Team

There is no update under this workstream as yet because Phase 2 has not launched.

2.3.4 HPS Project Costs

When we moved to Hampshire Pension Services (HPS) in November 2021 we understood that project work including the McCloud project would be in addition to the agreed business as usual cost with HPS.

At the point of transfer, HPS did not have an estimate of costs for this project which HPS are sharing between the partners for which they provide services. This helps the WCC pension fund because substantial software development costs are only partially met by our fund based on our membership.

The costs for the year 21/22 are £1,600, the costs for 22/23 are now notified as £9,567. HPS will be charging quarterly for the McCloud project, as the underpin calculation work has to be completed by the fund administration partner. I will update the Pension Committee in due course of any additional costs.

3. Upcoming Projects

3.1. Pensions Dashboards

3.1.1. What is a Pension Dashboard?

Pensions dashboards will enable individuals to access their pensions information online, securely, and all in one place, thereby supporting better planning for retirement and growing financial wellbeing. Dashboards will provide clear and simple information about an individual's multiple pension savings, including their State Pension. They will also help them to reconnect with any lost pension pots.

To make the dashboard work, multiple parties and technical services need to be connected in what is referred to as an ecosystem. The ecosystem encompasses the dashboards themselves, the data providers' find and view interfaces to the ecosystem, and the central digital architecture.

The Money and Pensions Service (MaPS) set up the Pensions Dashboards Programme (PDP) in 2019 to be responsible for designing and creating the pensions dashboards ecosystem, which contains the digital architecture that will make pensions dashboards work.

The PDP is responsible for delivering the digital architecture and services, which will enable data providers and dashboard operators to inter-operate. There is no central database within the ecosystem that holds personal information supplied by users or pensions information. Instead, the

ecosystem functions like a giant switchboard, connecting users with their pensions via dashboards.

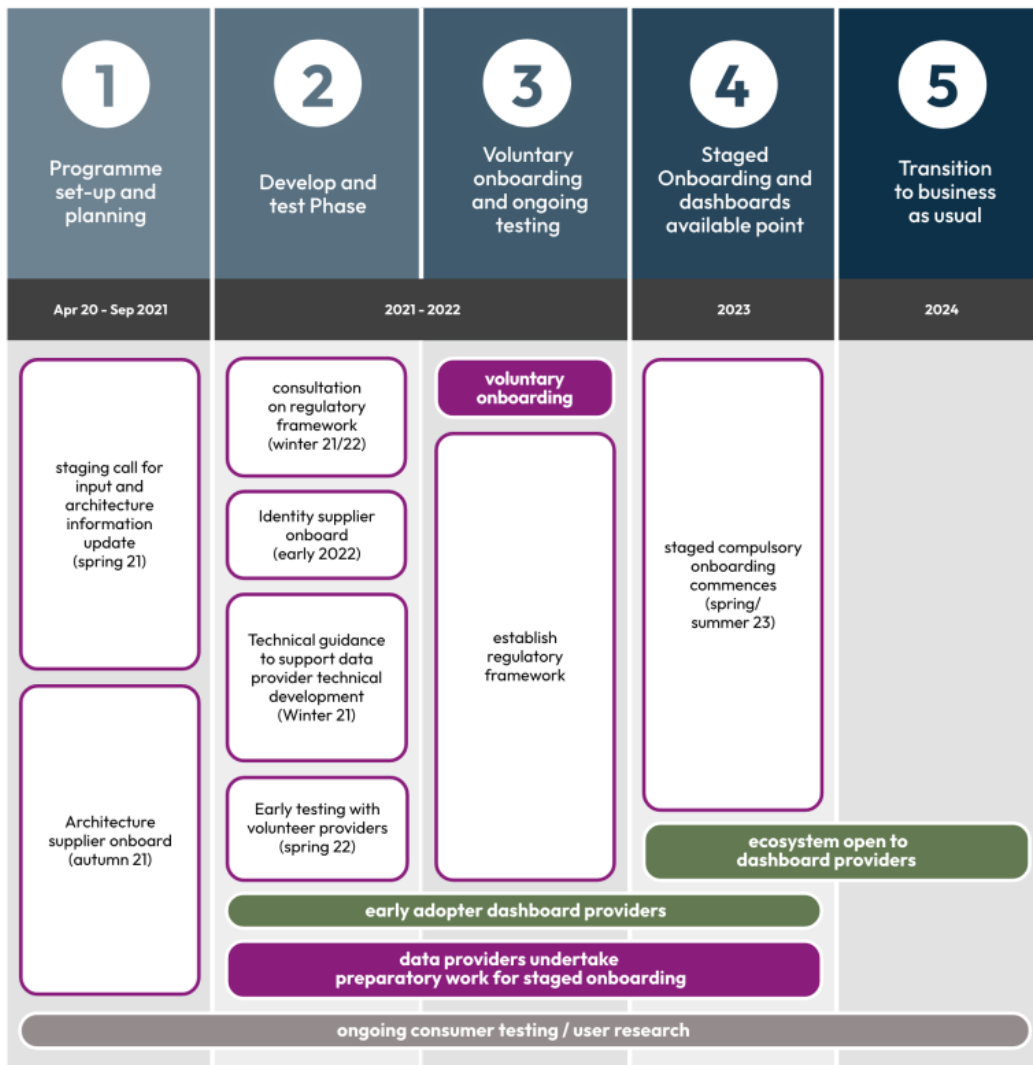
3.1.2. Programme Timelines

The PDP started in 2020 with multiple planned phases of development. Phase One (Programme Planning and Setup) has been completed and the programme is into phases two and three (see Figure 1 below).

The PDP is currently working to refine the onboarding process during the test phases, testing connectivity and compatibility of the digital architecture with the pension providers and schemes that have elected to onboard early. This work will help ensure there is a robust process in place once the PDP reaches the point of compulsory staging from April 2023.

The Pensions Regulator (TPR) is aiming to contact trustees and scheme managers at least 12 months ahead of their scheme's proposed staging deadline, to help them to prepare sufficiently and on time, starting in May 2022. TPR continues to build its compliance function, working with PDP to ensure the programme has the right data to monitor compliance. TPR is also developing its compliance and enforcement policy for consultation.

Figure 1 - Data Providers' Timeline



3.1.3. What does this mean for City of Westminster Pension Fund LGPS?

UK-based pension providers, schemes, trusts, and administration software providers operating on their behalf, will all supply data to the pensions' dashboards ecosystem.

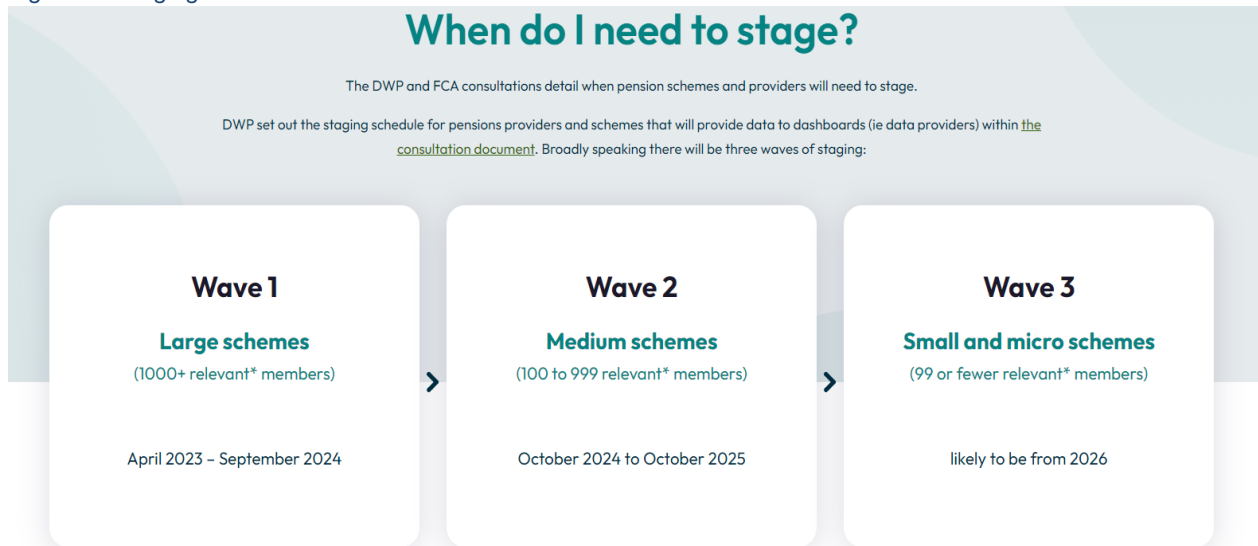
The COWPF LGPS is therefore classed as a data provider in this ecosystem and as such will need to:

- prepare data for connection
- create the appropriate find and view interfaces
- ensure they are operating within the necessary standards and regulations

We will do this by working with our administrators Hampshire Pension Services (HPS) and their software provider, Civica. As you will see from Figure 2, we expect to stage between April 2023 and September 2024, so we currently have enough time to prepare appropriately.

I will update the Committee further as we progress on the project to connect with the Dashboard.

Figure 2 - Staging Timeline



4. Summary

- 4.1.** The Pension Website is still under review and there will be a decision matrix used to help with deciding viability under various categories. We have had some engagement with the Staff Networks and aim to get additional feedback.
- 4.2.** The Guaranteed Minimum Pension rectification needs to start by August 2022 in order to complete by end of February 2023 ahead of Pensions Increases. Hampshire Pensions Services are unable to complete the advance work for Mercer with their internal team and Civica have quoted £18,200 to complete the work. We require approval from the Committee to spend this sum and book in the work with Civica promptly.
- 4.3.** The McCloud work is continuing apace with Zuzana Fernandes working with Employers to submit their data to Hampshire Pensions Services as quickly as possible. Zuzana is supporting the schools particularly as they have outsourced payroll providers. The internal WCC payroll work is continuing with IBC submitting our data to HPS by the end of June and work continuing on extracting and verifying the data from the legacy systems. Due to the complex and varying nature of extracting and verifying the data, I ask the Committee's approval to scope and cost a project to migrate the legacy data in house so that it can be combined and used centrally.
- 4.4.** Upcoming projects include the Pensions Dashboard as per the programme initiated by The Money and Pensions Service (MaPS). Pensions dashboards will enable individuals to access their pensions information online, securely, and all in one place, thereby supporting better planning for retirement and growing financial wellbeing. Dashboards will provide clear and simple information about an individual's multiple pension savings, including their State Pension. They will also help them to reconnect with any lost pension pots. COWPF LGPS will need to supply data to the dashboard, and we will work with HPS and Civica to connect to the dashboard when it is time for us to be staged. The staging period will be between April 2023 and September 2024, however we will need to work on preparing the connections between now and then.