

Pension Fund Board

Date: 3rd November 2022

Classification: General Release

Title: Pension Administration Update

Report of: Sarah Hay, Pensions Officer People Services

Wards Involved: All

Policy Context: Service Delivery

Financial Summary: Limited

1. Executive Summary

1.1. This report gives an update on the KPI data from Hampshire Pension Services (HPS) from July 2022 to September 2022 and compliments and complaints received by HPS. In section 3, I cover data updates on the backlog, annual return exercise and address tracing. In section 4 I cover a cyber security incident. In section 5 a brief update on NFI.

2. KPI Performance

2.1 I am pleased to advise the Board that the KPI data provided to Westminster for the period July 22 through to Sept 22 shows 100% compliance with the agreed KPI standards. The table below provides the categories measured, the target days and the number of cases processed in each reporting month.

KPI	Target Days	Jul-22	Aug-22	Sep-22
Active Retirement	15 days	7	3	11
Deferred Retirement	15 days	19	25	17
Estimates	15 days	51	60	41

Deferred Benefits	30 days	32	58	39
Transfers In & Out	15 days	1	6	0
Divorce	15 days	2	2	0
Refunds	15 days	10	15	9
Rejoiners	20 days	0	2	5
Interfunds	15 days	21	31	13
Death Benefits	15 days	18	12	8
Grand Total		161	214	143

- 2.2 It is important to monitor the overall case volumes to help ensure that no work backlogs are building up. The Board will want to note the increased workload being processed in July and August. This is mainly because the fund chased employers to respond to queries as a result of the annual returns submitted for the year 21/22. The response from employers overall was positive although we still have some responses outstanding. The case work did reduce in September as employer responses reduced. The work on hold in September is 279 cases. These are cases where HPS need a response from the member or employer to process. We need to make sure the cases on hold are reduced in the next few months to ensure we don't build up another backlog.
- 2.3 The fund strategy working with HPS is to increase the interaction the fund has with members via the member portal. In the last Board report I updated that at the end of June we had 23.66% of members signed up to the member portal. This has now increased to 27.63% as at the end of September as broken down below. I am pleased that the portal is being accessed more. There is also an employer's portal which we ask employers to use to send HPS member

Portal	Opted IN
Active	35.09%
Deferred	20.60%
Pensioner	29.15%
TOTAL	27.63%

- 2.4 In July through to September there were three compliments received by HPS made by members and outlined below. There were also two complaints outlined below in 2.5 to 2.6 with the detail of each issue.

September Compliments were *"quick reply"* and *"Simply clarified the situation and saved me money. Happy Days."* In July the compliment received was *"prompt, efficient and friendly service"*.

2.5 Complaint responded to in September received in August concerned a member complaining about the delays in dealing with her transfer out request. The member left one on the Academy Schools on the 31st of December 2021 and immediately asked about a transfer, but the school did not supply her leaving details to the fund until the 18th of May 2022. Even then the leaving form was not completed correctly and HPS had to query the data with the nominated payroll provider. The member was sent the transfer calculation and discharge forms on the 27th of June 2022. The member completed the transfer forms and returned with payment forms and a document from Scottish Widows as the potential receiving scheme with relevant questions on the 27th of July 2022. On the 9th of July however HPS received a new joiner form from the employer from the same individual. You can't transfer out of the LGPS whilst you contribute to it, Scottish Widows were advised when they chased the transfer that this was the situation. The member complained and confirmed that they were not active with the employer and the employer confirmed their error in sending a starter form through for her. HPS updated Scottish Widows on the 5th of September 2022 that the member had long term benefits in the LGPS and was not entitled to a refund. Scottish Widows currently will not accept the transfer until the member receives independent financial advice. Although the main issues here were caused by the employer and their contractors HPS acknowledge that if the documents sent back 27th of July 2022 had been checked more quickly and that the new joiner received on the 9th of July had been flagged at this point it may have resolved the issue more quickly for the member. It's vital though that transfers are not rushed and correct that Scottish Widows ask the member to seek Independent Financial Advice before the transfer completes.

2.6 In August there was a complaint from a headteacher of a school where they had agreed to pay for an express estimate for a 65-year-old member of staff being made redundant. The estimate came back, and I reviewed it and picked up that it did not contain costs which was flagged to the employer and HPS. The team dealing with the case at HPS initially advised costs did not apply, costs always apply where someone is being made redundant before their state pension age although they reduce the closer the member gets to state pension age. There is a known issue with UPM in that it was not calculating costs correctly members after their 65th birthday. HPS admitted the case should have been dealt with more quickly and the charge for the estimate was voided. UPM has just been updated on the 13th of October to amend this calculation issue so it should not be happen going forward.

3. Data Scores and Data Work

3.1 Each year we have to report our data scores to the Pension Regulator. The first data we measure is "common data" This will include standard information that all funds hold for members, including address details, date of birth, NI number. The second is "scheme specific" and will include items that only defined benefit schemes have including service lines, Career

Revalued Earnings (CARE) pay, whole time pay etc. Our last data scores are set out below.

Common Data	72%
Scheme Specific	87%

- 3.2 The next data scores will be provided to us by HPS on the 11th of November 2022 and we are expecting to see an improvement on those scores as validation of the work fund has been doing in the last 12 months.
- 3.3 The backlog project of 446 unprocessed leavers was temporarily put on hold until the start of October as employers had not returned leaver forms to the fund to complete the cases. The internal team focussed initially on chasing missing data as a result of this year's annual return exercise and then the leaver forms for the backlog cases. I am pleased to say that the response in general has been very good, the workload increases that HPS had in July and August was due to responses the fund had to chasers. The employers with backlog cases were asked to provide responses by the 30th of September or the fund would consider charges under our Pension Administration Strategy (PAS). The employers with the most cases have either now sent in all or most of their leaver forms. However, there are a couple of schools who have not responded at all yet or are not providing promised data.
- 3.4 The backlog work originally 446 cases have increased as at the 30th of September to 536 cases. This is because, pre-April 2021 leavers were uncovered following the annual returns and the employers have now sent in those leaver forms. HPS are assimilating post April 21 leavers into their BAU work. The original costs for the backlog work agreed with HPS were £23,800 based on 446 cases. I have not had revised costing from HPS yet and the backlog will probably increase further because as above not all employers have returned their data so that cases can be identified. Based on the above rate per case though overall I would estimate costs could increase to £28,603 if backlog numbers remain at 536. I have asked the Pension Committee to approve the additional £4803.00 if HPS request this to clear the backlog.
- 3.5 The backlog work was resumed at the start of October with forms now sent back from employers. 94 of the original backlog cases had already been completed before the project was paused in the summer.
- 3.6 The tables below show the original number and breakdown of queries identified following the end of year returns and the position as of the 14th of October 2022. The internal team working with the HPS employer team has been constantly chasing employers to submit their missing data in the summer months. Many employers have completely cleared their queries and their has been good engagement from the biggest schools payroll providers

as well clearing their outstanding data. The remaining queries are primarily with a few employers, St Marylebone School has 18 missing new starter forms and 5 leavers. St Marylebone has been chased more than six times and is not engaging with the pension team. The Head Teacher has been notified that the fund has raised an initial PAS charge of £100 which is effectively the charge for one missing new starter and one missing leaver form and asked to please respond. If there is still no response, we will be raising a second PAS invoice that covers all the outstanding data. We have also raised a PAS charge for Queen Elizabeth the Second and College Park schools also initially for £100 although they have a number of responses outstanding.

Total Queries identified						
Starters	Leavers	Missing Data	Add Conts	Pay *	Other	Total *
300	205	215	0	143	55	775

Outstanding Queries at 14/10/2022						
Starters	Leavers	Missing Data	Add Conts	Pay *	Other	Total *
34	5	33	0	6	0	78

- 3.7 The internal team are likely to continue to escalate PAS charges in certain circumstances now to support our requests for statutory data. The 78 cases that remain above are proving difficult to reduce just by requesting employers respond. The internal team has started proactive work with HPS and employers as well on current year data. We have compared the number of new starter and leaver records for the whole of 21/22 and compared to the data that HPS has up to the end of September 2022, in many cases there was a clear indication that the expected numbers of starters and leavers received thus far does not look reasonable when compared to last years data. Employers have been contacted and reminded that the KPI deadline for such data is 25 working days and that they need to review and take action if there is an issue. The current plan which we hope the board support would be to remind employers one more time in February 23 to ensure their data is up to date ahead of the annual returns at the end of April, then we charge for all late new starter and leaver cases.
- 3.8 The Pension Committee had previously agreed we could spend up to £6000 on address tracing with Target that HPS would manage for us. The £6000 was money effectively we had not used on a prior project we ran with Target and closed down when we moved the service last year to Hampshire Pension Services (HPS). HPS commenced tracing on two specific groups of

people that had not been traced previously. The First group is 1025 preserved refund records, the second is 1026 preserved benefit records where we have lost contact with the member.

- 3.9 In the initial trace identified 13 of the preserved refund members had died and 5 of the deferred had also died. HPS are now contacting the next of kin to settle any sums due and bring any dependent pensions into payment if applicable. Target identified 341 records as living as stated in their last known address and these records have been updated accordingly.
- 3.10 The initial tracing exercise has cost £2,379.16 within the £6000 already agreed. Target identified for both groups combined 941 records would require an IDV trace as outlined below with a cost of £4657.95 and that a further 751 records will require a full trace the cost for these would be £15020.00.
- 3.11 I have paused further tracing pending agreement with the Pension Committee. The combined cost of the IDV traces and the full traces is £19,677.95. The balance left over from the £6000 is £3620.84. A decision needs to be made on further tracing. Potentially there are three options, close the exercise now without further work but we will have 1692 records with no valid contact address on the record. Option two, we could potentially ask HPS to ask Target to complete the IDV traces which are cheaper to complete per member and the fund will potentially then spend £7037.11 in total on tracing or option three agree to the relevant tracing required for all 1692 records and the fund would have paid up to £22,057.11 to complete the exercise.
- 3.12 The Board should note that address data impacts our common data score outlined above in 3.1. In the September partnership report our fund membership including the preserved refunds is 19,709 so approximately 8.58% of the membership we don't have a valid address for currently in these groups. If we want to continue to improve the data common data score significantly.
- 3.13 Below is a brief explanation of what each trace entails:

IDV1 - For those addresses found with a high grade match to the original address and lots of recent activity there, Target will send a letter letting them know that we have found their new address and will be updating their records in the next 7 days. They have the opportunity to contact Target if they haven't found the correct address but the rate of this is very low.

IDV2 - Lower grade match where name and date of birth match records but less activity. These cases will have letters sent to the new address, inviting the member to call in where they will be taken through a level of security before confirming the address details.

Full Trace - Any records that were negative after the Auto Trace or the IDV process would be recommended for a Full Trace. This is a manual investigation to find and verify a new address for your members.

4 Cyber Security

- 4.1 On Saturday 24th September, Hampshire County Council (HCC) IT received a warning of suspicious activity on the UPM Member Portal, from the security alerting platform.
- 4.2 The connection attempt was blocked by one of the security layers in place at Hampshire, and immediate pro-active action was instigated to prevent risk of ongoing unauthorised access and potential data loss.
- 4.3 Following consultation with the Hampshire Director of Corporate Operations, both the Member Portal and the Employer Hub were blocked from access from the internet, as a preventative measure until the vulnerability could be fully investigated with the application provider (Civica). HPS advised Westminster on Monday the 26th of September of the issue. Both the Member Portal and the Employer Hub subsequently remained 'unavailable' to service users for 9 days.
- 4.4 Hampshire IT department and Civica have worked together since this time and kept Westminster informed, to determine whether the malicious third party had accessed any data from the UPM system itself. They have concluded this review and have found no evidence, in any log, that any data was accessed. This workstream is now complete.
- 4.5 Hampshire IT and Civica agreed several fixes and additional preventative measures to remove the exploited vulnerability and safeguard the Member and Employer Portals, and these were implemented on 27th September; they were then subjected to a rigorous testing regime to ensure that the vulnerability could no longer be exploited, as set out below.
- 4.6 On Thursday 27th October, Civica ran a series of internal tests whilst on site at HCC, from which they concluded with a high degree of confidence, that the measures implemented were effective and operating as anticipated.
- 4.7 On Friday 28th October, the Member Portal was brought back online for a period of circa 20 minutes; during this time an employee within Hampshire's IT department, who is trained as an Ethical hacker, worked remotely outside of the corporate network and attempted to exploit the vulnerability as an 'unauthenticated user', using the same 'access route' that the criminal 3rd party had used. He failed in his attempt to exploit the vulnerability, which gave a level of assurance that the vulnerability had been nullified.
- 4.8 On Monday 3rd October, a specialist external security testing company (2-Sec) were appointed/deployed (the same company who had identified the vulnerability in their original penetration testing), with the sole purpose of

testing the vulnerability and seeking to exploit it as an unauthenticated user (and with considerable prior knowledge of what they were seeking to exploit). 2-Sec have since confirmed that they were unable to exploit the vulnerability. The Member Portal was live during the duration of the penetration test but was again taken down on completion of the testing, to enable a formal decision to be made on whether HPS could now make both the Employer Hub and Member Portal available again over the internet.

- 4.9 On Tuesday the 4th of October, the Hampshire Director of Corporate Operations, based on the advice of the Head of IT Delivery, the IT Infrastructure Operations Manager and the Head of Pensions, took the decision to make both the Member Portal and Employer Hub available again over the internet (i.e. make them 'live' for Member and Employer access). As part of this decision, it was also agreed to turn 'geo-blocking' back on for the Member Portal (it was already in use for the Employer Hub). The funds employers were advised that the Employer Hub was available.
- 4.10 Geo-blocking effectively prevents access from certain geographical areas of the world. Initially the Geo-blocking would only allow access the Member Portal from the UK and the European Economic Area (EEA). However, this has now been extended to include America, Canada, Australia and New Zealand. Any of our members that reside outside of this zone will not be able to access the Member Portal going forward and HPS are going to contact anyone this impacts and ask them to make contact via phone or e-mail. HPS have advised that across all their various funds only 100 members currently are registered living in an area that will now be blocked. The Geo-blocking is necessary for our cyber security as most hacking attempts originate outside of the areas that HPS have cleared for access. The attempt that caused the above security issue was identified as originating in Singapore.
- 4.11 HPS have now included a regular slot on cyber security in the partnership report. HPS has regular penetration testing as part of Hampshire's annual testing each December, but they are looking to have a separate testing set up each summer which we support. We will be working with HPS to make sure that any identified cyber risks identified through regular testing are mitigated quickly. The risk register has been updated to highlight the ongoing risk of attempted hacking. It's important that the Member Portal and the Employer Hub are used.

5 Employer Updates / Other Admin Issues

- 5.1 The Funds data has been uploaded for the Biannual National Fraud Initiative (NFI). This is an exercise that will match our pension fund data with other public and private data sources to identify potential fraud. The last NFI exercise identified some deceased fund members we were unaware of including one pensioner where a significant overpayment was identified. I will update the Pension Board as we have any updates but it may be some time before anything comes back to the fund.

6. Summary

- 6.1 In Section 2, I covered the KPI data for the period July through September 2022 is 100% within the agreed target. The workload did increase in July and August and there is an increased number of cases on hold. This is due to increased workloads following chasing of missing data identified in the annual return exercise.
- 6.2 In section 3, I advise the Pension Board of the increase in the backlog cases as additional Pre-April 2021 leavers were identified following the annual return exercise. The backlog in total is now 536. I also update the Board on the data queries still outstanding from the annual return exercise and that we have started to issue PAS charges for late data. I advise the Board of work we are doing to remind employers in year to send in their data in and update on our approach going forward to help reduce the risk of further backlogs.
- 6.3 Additionally in section 3, I update the Pension Board on the address Tracing work, there is a potential maximum spend £22057.11.
- 6.4 In section 4, I covered a cyber security issue that closed the Member Portal and the Employer Hub for 9 days.
- 6.5 Finally I advised the committee that the funds data has just been submitted for the biannual NFI check.