

Date:	6th July 2023
Classification:	General Release
Title:	Pension Administration Update
Report of:	Sarah Hay, Pensions Officer People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	£25,000.00

1. Introduction

1.2 This report provides a summary of the performance of Hampshire Pension Services (HPS) with the Key Performance Indicators (KPIs) for the month of January 2023 through to May 2023. I have also provided details of three complaints received in the period and our response. In Section 3, I have updated the Pension Board on the annual returns for 22/23 and good progress with our backlog project. In section 4, I updated the Pension Board that our membership numbers have grown more than 20% and this has resulted in an increase in administration costs of £25,000.00. In section 5 I have updated the Board on some cyber security testing and our next software update.

2.1 KPI Performance

2.2 The scope of the KPIs in this report have been agreed between WCC and HPS in our agreement.

2.3 This paper covers the period of January 2023 to May 2023.

2.4 KPI performance for each month is within each partnership report. HPS report 100% compliance within the agreed KPI in each month. The majority of our KPIs require cases to be completed within 15 days. HPS do provide a breakdown for each category that shows the number of cases processed in each 5-day block.

2.5 Below I have summarised the cases completed in each category in the month.

KPI	Target Days	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Active Retirement	15 days	3	3	9	5	8
Deferred Retirement	15 days	10	15	20	13	15
Estimates	15 days	42	32	41	46	42
Deferred Benefits	30 days	19	42	47	13	54
Transfers In & Out	15 days	1	7	5	3	1
Divorce	15 days	2	1	3	2	0
Refunds	15 days	10	11	13	20	11
Rejoiners	20 days	5	1	4	3	1
Interfunds	15 days	12	28	28	20	17
Death Benefits	15 days	24	18	19	11	15
Grand Total		128	158	189	136	164
		100%	100%	100%	100%	100%

2.6 I am pleased to say that BAU work progresses well, and I have no general concerns. There are currently 215 business as usual cases pending action at the end of May.

2.7 We have been working with HPS since November 2021 and have established a positive working relationship with a stable core service. I have agreed with HPS that we will meet with their management from April 2023 onwards on a bimonthly basis instead of every month. The fund will still receive a monthly partnership report with full details of the service, and we can request meetings if there is anything we need to discuss. With the service in such a strong position I feel our time can be spent more productively than meeting every month.

2.8 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 December 2022 we had 31.09% of members signed up to the member portal. This has now increased to 35.50 % as at the end of May 2023 as broken down below. We are steadily increasing portal access.

Portal	Opted IN
Active	41.61%
Deferred	26.46%
Pensioner	40.67%
TOTAL	35.50%

2.9 In February we had two complaints and in May we had one complaint.

- 2.9 The first compliant raised with HPS in February has been escalated to an IDR case for which the response has been sent to the member involved by Westminster on the 12th of June 2023. The complaint centres around a member who wanted to investigate a transfer out of our LGPS fund. They had appointed a private firm to act as their agents early in 2022 after they were advised that they could not take their pension whilst they remained actively employed with Westminster unless they took flexible retirement from age 60. The member wanted to remain in full time employment in their current role and so looked at opting out of the fund and then transferring their LGPS pension to a private pension where they could draw down on their pension.
- 2.10 In summary when the member requested the transfer out via the third party in February 2023, HPS discovered via a LGPS database check that he had another LGPS pension in payment and this precluded a transfer. The quote documents had set this out as a reason a transfer could not be completed, however the members advisors had not picked up this point with him and he was disappointed that he could not transfer out as he had plans for his pension money.
- 2.11 The complaint received in May also involved an extended transfer out process. In this case there was an initial 7-month delay where the employer had not notified HPS of the leaver. When the record had been deferred and quote details provided to the members new fund there seemed to be a delay from the new fund in providing the members signed authorisation to complete the transfer and this is at the time of writing this report still outstanding. I am reviewing this case with HPS to ensure that the members record is transferred as soon as possible.
- 2.12 The second February compliant was regarding a member who was chasing a refund. The situation was resolved, and the member paid their refund, but HPS had to take some better communication lessons back to their helpdesk team who worked on this case.

3. Data Work

- 3.1 I am pleased to say we have made excellent progress with the backlog project. Of the 611 cases in scope, HPS have completed 568 with 43 remaining as at the 31st of May 2023. Some of the 43 cases are in processing as well by HPS so the numbers are reducing all the time.
- 3.2 Employers have been responding to queries and are working with us to clear those that remain. The most difficult cases are where the member left sometime ago and in some cases the employers do not retain appropriate payroll records, so cases are deferred on a guesstimate basis. Once this backlog is cleared, we must ensure that no new backlog accrues.

- 3.3 I am really pleased to update the Pension Board that all employers have submitted their annual returns for 2022 / 2023. This year we did not Pension Administration Strategy (PAS) charge any employers for late submission though we did proactively chase after the 30th of April deadline the few who had not returned on time. As at the 7th of June not every return has been and loaded onto the UPM pension software to update the member records and to generate this year's queries. As of the 7th of June, we have uploaded 4000 members records without queries, we have 250 records with queries and 614 members whose records are pending update. This is I believe excellent progress from last year where we had 775 queries so hopefully when the remaining 614 member records are updated, we won't see a significant increase above the 250 queries we know about already.
- 3.4 The queries have started to go out and I know some responses have been sent back already. Zuzana Fernandes in the People Services team will be working with HPS and the fund employers to ensure that the responses are received, and the records amended if required so that the data remains accurate.
- 3.5 We will review PAS charges on any missing joiner or leaver cases, and we have advised all employers that charges would apply for these cases. The PAS charges along with strong engagement by WCC and HPS is a key reason why the queries this year look significantly reduced and will help us to not build up any further backlog. We do want the queries next year to be even lower particularly missing member data as this delay our being able to provide members with statutory information and can lead to complaints.
- 3.6 The production of Annual Benefit Statements (ABS) has started with the deferred membership. 99.38% of the deferred statements have been produced with 44 currently outstanding. We will be reviewing progress with HPS in the coming months and to ensure that the active statements are all available by the end of August 2023 with all above queries resolved.

4 Membership, Costs and Partnership

- 4.1 In May 2023 the membership of the Pension Fund has increased by more than 20% of the original figures that Hampshire Pension Services had costed for our service in their Outline Business Case (OBC). The original figures we provided to HPS were based on membership numbers we had from Surrey in early 2021. Due to the backlog of cases waiting to be processed and because many of our fund employers were not providing data on joiners and leavers within a few weeks, it became clear when we moved to HPS in November 2021 that original OBC numbers were underestimating the true membership numbers. The data work we have been doing to clean up our data does now put us in a much more accurate position.

4.2 Employers have gotten in their new starters ahead of the annual returns exercise and thus in May's partnership report we have exceeded the 20% increase. HPS will now increase our annual contract price by £25,000 per annum and reset the base numbers with a view that should the numbers increase 20% again the contract price would again increase. I believe that our numbers are now much more reflective of our true membership and therefore I am not concerned that the fund would see another price increase unless there was a major tupe in from one of the funds major employers. The membership numbers are in the table below. **The preserved refund members are included for completeness but are not counted for the purposes of reporting membership to the Pensions Regulator and DLUHC (previously MHCLG).

	Active	Deferred	Pensioner	Preserved Refunds**	Total
OBC	3,981	6,700	6,122		16,803
May-23	4,898	7,158	6,685	1,464	20,205
Growth	23.03%	6.39%	9.19%		20.24%

4.3 Finally, as part of the partnership arrangements that the Fund has with HPS we had our first annual review meeting at Executive Director level on the 20th of April 2023 attended by the Director of People Services on behalf of Westminster supported by the Head of Operational People Services. HPS sent their Director of Corporate Operations and their Head of Pensions, Investment and Borrowing. The annual meeting is to ensure that both parties understand the pension administration service being provided and are aware of any strategic issues that could impact our working arrangement. The meeting was positive.

5. Cyber Security

5.1 HPS have carried out penetration testing by a third party called to 2 Sec in April 2023. There were five medium risks identified because of this testing, the first was a false positive, the second was a change to their web servers which they are asking IT to implement. The third suggested that it should be prohibited that members can use the word pensions as part of their password. HPS are going to talk to Civica the software provider before taking any action on this risk. The final two risks remain but should be resolved by the next major software update called Umbraco 10 which is due to be available by the 30th of June 2023. HPS will be implementing initially in the test environment and running checks in July and hopefully be ready to update the live system in August 2023. We will be discussing with HPS the progress at our next partnership meeting. The next penetration testing will then be due in November 2023.

6. Summary

- 6.1 In Section 2, I covered the KPI data for the period January 2023 through to May 2023 is 100% within the agreed target.
- 6.2 I have updated the Board in relation to three complaints received during the period. Two complaints relate to transfers out of our Fund, and one has gone to an IDRPs stage one, I will work with HPS to ensure the other transfer is resolved. The remaining complaint is now resolved.
- 6.3 In section 3, I update the Pension Board on the good news that all of this year's annual returns have been submitted and that queries look to be lower than last year. We will be reviewing PAS charges in relation to the missing data to ensure that we continue to improve our data and do not regress after the progress we have made in the last 18 months.
- 6.4 I update the Board on the high percentage 99.38% of deferred member statements already produced for 22/23. The Fund will be looking to produce the active member statements by the statutory deadline of the 31st of August 2023.
- 6.5 I update the Pension Board that membership numbers have now exceeded 20% of the original OBC numbers and this has increased administration cost going forward by £25,000.00 per annum.
- 6.6 WCC and HPS held our first annual review meeting in April attended by Executive Directors from both sides. The meeting was positive and reflected our strong working relationship and shared vision of the service.
- 6.7 Cyber Security, WCC will discuss with HPS the results of penetration testing carried out by a third party. We will review with HPS the implementation of Umbraco 10 to our UPM software and ask for assurance that this has resolved the known risks.