

<b>Date:</b>	<b>11<sup>th</sup> November 2024</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Pension Administration Update</b>
<b>Report of:</b>	<b>Sarah Hay, Pensions Officer People Services</b>
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Service Delivery</b>
<b>Financial Summary:</b>	<b>£</b>

## **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 June 2024 through to September 2024. In section 3 I give an update on the final queries following the 2024 annual returns and the data benchmarking exercise. In section 4, I update the Board on the proposal to review our AVC provision.

## **2.1 KPI Performance**

2.2 The scope of the KPIs in this report have been agreed between WCC and HPS in our agreement. However, you will note in this report that interfund and transfers in and interfund and transfers out are new reporting categories. This is in line with requirements for the annual report, previously we reported on all interfund as a category and all transfers as a category.

2.3 This paper covers the period of June 2024 to September 2024.

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	Jun-24	Jul-24	Aug-24	Sep-24
	Days				
Active Retirement	15 days	8	8	8	4
Deferred Retirement	15 days	0	22	15	26
Estimates	15 days	25	33	21	34
Refunds	15 days	10	12	14	16
Deferred Benefits	30 days	0	26	25	34
Interfunds and Transfers In	15 days	30	13	15	19
Interfunds and Transfers Out	15 days	8	23	17	15
Divorce Quotes	15 days	3	0	2	1
Divorce Actuals	15 days	0	0	0	0
Rejoiners / Aggregation	20 days	3	3	1	5
Death Benefits	15 days	19	20	17	12
<b>Grand Total</b>		<b>106</b>	<b>160</b>	<b>135</b>	<b>166</b>
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

2.6 The Pension Board will want to note that the work on hold reported is 359 cases as at the end of September 2024, 191 of those cases have been on hold 31 days or more. The most challenging area are Interfund and transfers into the Fund. As above 19 of those cases had an action completed on them by HPS in September but there were 146 of those cases on hold in the workflow and 120 of them have been for 31 days plus. HPS did chase up several other Funds for responses earlier in the summer and we will keep on asking HPS to highlight cases to us where they exceed 18 months in the workflow.

2.7 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 May 2024 we had 44.09% of members signed up to the member portal. This has now increased to 46.36% as at the end of September 2024. The internal team has been contacting the Funds smaller employers including the schools to encourage them to promote to their staff.

2.8 We have asked HPS for a breakdown as at the end of October 2024 of all our Fund employers so that we can see where we still have employers where take up of the portal is lower. Our aim is to ensure that all employers have at least 40% of their active membership registered for the pension portal and that overall, the Fund should have at least 50% membership registered for all categories including deferred and pensioner members. As of 30<sup>th</sup> September 2024, 56.27% of the active membership is signed up on the portal as a whole and if the smaller employers all increase their access to at least 40% then we should remain on target as a Fund to have a 50% overall portal access. I am also discussing with HPS about possibly trying to encourage more deferred members over 55 to register for the portal ahead of the pension dashboards going live.

- 2.9 HPS received no compliments in the reporting period June to September 2024. There were three complaints made across, July, August and September 2024.
- 2.10 The July complaint centered around a member struggling to access the membership portal. HPS confirmed that everything was correct from their end and the member was supported to resolve their access issues. The August complaint has been responded to in September. The member completed two online retirement declaration forms for two separate pension records. In both cases she elected to take standard pension benefits. The declaration form contains a warning that members cannot change their mind after they have submitted the form, and the pensions team have processed their choice. In this case the member apparently made a mistake and wanted the maximum lump sum due. HMRC regulations mean a larger lump sum cannot be paid after the pension becomes payable.
- 2.11 The September complaint concerned a member whose best final salary period was not in the last three years but a prior average of three years. These cases are relatively rare, and they occur normally when a pensionable salary payment has been removed from someone's pay arrangement so for example if a shift allowance is removed this can result in the best whole time pay figure not being the members last year.
- 2.12 In this case the member had known what his best pay figure was because he had estimates provided by the Fund back in May prior to taking flexible retirement in July. The pay to be used was discussed at the time of the estimate with WCC payroll provider Hampshire IBC and with HPS. A few weeks later when they processed the actual retirement both the IBC and HPS seem to have not picked up that the members pay figures should be adjusted as per the estimate. This resulted in the members pension being put into payment at a considerable reduced rate initially until he complained, and the matter resolved. I have made it clear to HPS that although the payroll provider should have known the correct pay in this case it is they who should have checked the prior estimate that was only a few weeks old when processing the retirement and that would have warned them of the issue. I will also make sure in future cases where I know this is happening to ask HPS to put a memo on the record to warn them to check the pay figure carefully when processing a similar retirement.

### **3. Data Work**

- 3.1 Our officer Zuzana Fernandes has completed work with HPS to clear the remaining queries as the result of the 2024 annual returns. In total we had 255 queries in 2024. This is a significant reduction from the two prior years, 455 in 2023 and 760 in 2022.
- 3.2 Overall we are pleased that employers are generally responding to our efforts to resolve queries although some employers are better than others. Zuzana is also supporting HPS to make their queries sent to employers clearer to understand,

so for example if they want a leaver form for a member, they need to include the pay number and the position / job title as in many schools' members have multiple positions. We will try and support the schools using Strictly Education and Prospects / HR connect as best we can, but the schools need to manage their relationship with those providers more proactively.

- 3.3 HPS have now provided us with the employer performance benchmarking for 2024. 15 employers have been identified as having major data quality issues (red rating) this is where employers have 5% or more queries on their active membership numbers. The queries for these employers ranged from 6.78% up to 41.18%. All failing employers will be sent a letter advising them that they failed the data quality benchmark this year and asking them to do a data validation exercise at the end of September. 7 employers have had major data quality issues for two years in a row. Under the Pension Administration Strategy (PAS) we can fine employers a £1000 for three years of failing data quality. Zuzana will be reaching out to those employers to advise them of the need to ensure that the 2025 return is accurate and sent on time by the 30<sup>th</sup> of April 2025.
- 3.4 There is good news, several employers have improved their data quality from either red (major data quality issues) to amber (Minor data quality issues) and some from amber to green (no data quality issues). One employer the Housing Ombudsman Service went from red in 2023 to green in 2024. Even for employers that are still failing on our data quality measure it should be noted that they have still generally seen significant reductions in queries so for example Strictly Education pooled payroll provider had 82 queries (excluding pay) in 2023 and 35 in 2024 so although they remain red for data quality there is improvement. We have three employers who have had green data quality for two years in a row.
- 3.5 I am pleased to update the Board that as of the end of September 2024 all annual benefit statements were available for deferred members. All but 4 of active members statements were produced as well. I will be working with HPS to ensure that these final statements are resolved. We could not produce this level of annual benefit statements without good quality data.
- 3.6 I have recently sent out an e-mail to the WCC schools to remind them of the entitlement's members have if in the LGPS and over 55 if made redundant. With several schools going through reorganisations, we have picked up a few cases where the schools do not seem to be aware of the pension costs of making staff redundant. I have reminded them that there is an employer team at HPS ready to support them if they have any questions as well as the members of our internal team.

#### **4. AVC's and London Collaboration.**

- 4.1 I advise the Pension Board we are in the early stages of reviewing our AVC provision. The Funds current AVC provider is AEGON although we also have some legacy AVC's with Utmost which were formerly Equitable Life. Many Local

Government employers now offer a shared cost AVC (SCAVC), this allows the member and the employer to save on National Insurance (NI) contributions as well as tax. AEGON do not offer a SCAVC so there is not an option to take the discussion with them further. A SCAVC would be a salary sacrifice arrangement that the employer not the Pension Fund would have to set up. However, for Westminster as an employer to set up a SCAVC the Fund would have to nominate that provider as Fund AVC option. In theory a member and the employer can save significant sums if we set up a SCAVC and promote it effectively. We wait to see if the budget has any implications for us reviewing our AVC provision.

4.2 I advise the Pension Board that I have been asked to join a group of London Pension Officers to discuss greater collaboration on administration between the London LGPS Funds. This has been requested via the Scheme Advisory Board (SAB).

## **5. Summary**

5.1 In Section 2, I covered the KPI data for the period June 2024 through to September 2024 is 100% within the agreed target.

5.2 I provide the Pension Board with the details of the increasing percentage of Fund members accessing their pension information via the member portal.

5.3 In section 3, I updated the Pension Board on the final number of queries we had following the 2024 annual returns and the improved situation from prior years.

5.4 I updated The Pension Board on the data benchmarking exercise and the proposed data validation exercise to be completed with failing employers i.e. those with 5% or more queries of active membership.

5.5 Finally I updated the Pension Board on our proposal to look at appointing a new AVC provider so that our employers could potentially offer a SCAVC.