AGENDA ITEM:

City of Westminster

Pension Fund Committee

Date:	**9th March 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:	**£**

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 November 2022 through to January 2023. In Section 3, I have updated the Pension Committee on the excellent progress on the backlog project and on our continuing data work. in section 4 I confirm that we have responded DLUHC on their consultation on amending the revaluation date for annual allowance purposes.

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 November 2022 to January 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	Nov-22	Dec-22	Jan-23
Active Retirement	15 days	7	4	3
Deferred Retirement	15 days	20	19	10
Estimates	15 days	48	40	42
Deferred Benefits	30 days	30	55	19
Transfers In & Out	15 days	1	1	1
Divorce	15 days	1	0	2
Refunds	15 days	13	17	10
Rejoiners	20 days	4	5	5
Interfunds	15 days	14	17	12
Death Benefits	15 days	1	8	24
Grand Total		139	166	128
		100%	100%	100%

2.6 I am pleased to say that BAU work progresses well, and I have no general concerns. There are currently 189 business as usual cases pending action at the end of January.

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 Committee report I updated that at the end of October 2022 we had 28.65% of members signed up to the member portal. This has now increased to 31.09% as at the end of January 2023 as broken down below. We are steadily increasing portal access.

Portal	Opted IN
Active	38.61%
Deferred	22.02%
Pensioner	35.20%
TOTAL	31.09%

2.8 In November there was one complaint received by HPS made by a member and outlined below. There were no other complaints or compliments in the period

2.9 Complaint raised was by a member who was having their pension put into payment from deferred benefit status. The wording of the retirement letter indicated that they would only get partial CPI increases because they were taking pension part way through a tax year. This is the case for a retirement from active status because the pension is calculated as due at the date of retirement based on the salary details and service provided from the employer and additional increases are added as at the following Pension Increase (PI) date backdated to the retirement date. However, for a preserved pension record CPI increases are effective every year. HPS are reviewing the wording of the retirement letter for deferred into pension records to make it clear that they are not losing out any CPI increases by drawing their pension part way through a tax year.

3. Data Work

3.1 I am pleased to say we are making excellent progress with the backlog project. There are now 611 cases in scope, this is an increase from 536 previously advised as cases arose from the annual return work. I would not expect there to be any increases beyond 611 as annual return queries for 2022 are now minimal.

3.2 Employers have been responding to queries and as at the 31st of January 2023 408 cases had been completed by HPS. This leaves 203 cases that were still in scope as of the 1st of February 2023. Employers are being chased up to send in data and employers that were not previously responding to requests have sent in significant numbers of replies. This is due to the constant chasing the internal team and HPS have been doing. Also, employers are realising that we may apply Pension Administration Strategy (PAS) charges if we don’t receive adequate responses. I would expect the number of completed cases to have risen significantly in February.

3.3 In the last report I confirmed that we had 63 outstanding queries following the 2022 annual returns reduced from an original 775. We have now managed to reduce the outstanding queries to 16 as at the 27th of February when we had the last full update. I know that responses have been coming in from employers and some of the remaining cases are where there is ongoing discussion to resolve discrepancies of for example where there is a zero hours record where no claim has been processed in a year the employer may need to process a leaver on their system. All employers have engaged with HPS, I am really pleased at the progress made to reduce the queries outstanding to 16.

3.4 HPS has held two end of year workshops ahead of the annual returns for 2022/2023 the first on the 20th of February 2023 and the second on the 8th of March 2023. A number of employers and their payroll providers are booked onto the workshops, and this will give them a guide to our processes and gives them the chance to reach out and ask any questions or seek support if they require it before the deadline. All employers have now been advised that they need to submit their annual return files by Friday the 28th of April or be subject to fines under the Pension Administration Strategy (PAS). Employers have also been advised that if there are missing joiners or leavers identified in the annual returns we will be PAS charging for those cases at £50 per case automatically. I remind the Committee that of the 775 queries we had last year two thirds of those cases were missing joiners and leavers. If the fund does not get these numbers down further backlogs will build up which the administrator will charge us additionally for.

3.5 For information PAS charges have been issued to a few employers in the last few months. PAS charging has helped to get responses from some employers who were otherwise not responding to requests. The fund is in the process of issuing £200 PAS charges to a number of academies that use EPM as their payroll provider due to the fact that schedule data was outstanding despite being chased several times. This provider had already been chased previously to clear a prior backlog that they only cleared last October and so action has been taken now to fine the employers and ensure that they manage their provider. EPM have made contact with the fund and we are in the process of setting up interim measures to support their management to help them ensure the fund gets the data it needs by the deadline set. I am always conscious of the limited funds the schools and academies have but as above we need to ensure our members data is accurate and that employers are paying the pension fund money correctly.

3.6 In 2023 we will be sending out to all the fund employers an employer performance letter. I will provide the Committee with an example letter later in the year. In essence this will set out the employer's performance in relation to their data following the submission of the annual returns. The letters will measure three key areas, timeliness, financial control and data accuracy. Each area will be given a traffic light colour to set out where they sit as an employer against the expected standards in each area. I am expecting at least on data quality that all the WCC employers will be green if we don't find excessive data missing in the 2022/2023 returns as all employer's data is now looking much better. On timeliness if they send their data in by the deadline and respond to queries raised reasonably, they should be green. On financial control again they should be green. I have also asked the team that supports the school governors to reach out and let them know that the letters are due to be sent out in September / October 2023 and that they should expect to see them. This should help ensure the correct level of governance over any issues within the schools themselves. From a fund perspective, measuring employer performance in this way will give us and our auditors assurance regarding our ability to satisfy regulatory requirements for the fund and to meet the needs of our members.

3.7 Address tracing results as at the 12th of January for the two populations we sent for full IDV traces are as below.

Deferred Lost Contact trace
Successful new addresses: 233
Unwilling to confirm – 2
No Response – 385

Preserved Refund Trace
Successful new address – 83
Unwilling to confirm – 3
No Response – 234

3.8 From the no responses some results will probably still come through in the following months in low numbers. Target have recommended international traces for 87 people in the above populations, but this would cost the fund £70 a case. The Pension Board have suggested that they are not keen for us to go down that route at our last meeting. I asked HPS for a breakdown by age of the 87 people and two were 62, one was 63 and one was 75. Those four people I have asked HPS to send for international traces as they are either due their pension now or will be shortly and I considered that reasonable. I won't ask for traces on the others at this time unless the Pension Committee request it. In the future it is hopeful that people will contact the fund via the pensions dashboards that are being introduced.

4 Employer Updates / Other Admin Issues

4.1 For information the DLUHC published a consultation on amending the revaluation period to align with the tax year for the purposes of measuring the increase in the pension pot for annual allowance calculations. If the current method is retained that adjusts the pot for inflation at the start and end of the year. The increase in inflation between 2021 and 2022 would see potentially thousands of additional members exceed the £40,000 annual allowance limit and those that would expect to exceed will do so by more. If the changes are not made it would likely cause excess additional stress to public sector staff and add additional pressure to sensitive pay negotiations. WCC has responded and confirmed that we support the proposed changes.

5. Summary

5.1 In Section 2, I covered the KPI data for the period November 2022 through to January 2023 is 100% within the agreed target.

5.2 In section 3, I update the Pension Committee excellent progress on the backlog project and continued responses from employers following last year's annual returns. The fund has PAS charged some employers, but we are trying to support employers and payroll providers to submit the data we need on time.

5.3 I ask the Committee to advise if they wish to do international traces for 83 people at £70 a case or can we leave those cases and hope the majority of them get in touch with the fund when they want to claim their pension.

5.4 I update the Pension Committee that we have responded to DLUHC in relation to changing the revaluation year for annual allowance calculations in local government to remove the impact of inflation increases in 2022.