

CLWYD PENSION FUND COMMITTEE

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| Date of Meeting | Wednesday, 4 th September 2019 |
| Report Subject | Administration and Communications Update |
| Report Author | Pensions Administration Manager |

EXECUTIVE SUMMARY

An update is on each quarterly Committee agenda and includes a number of administration and communications related items for information or discussion. The items for this quarter are:

- (a) Business Plan 2019/20 update – this includes a GMP reconciliation project update and 2019 valuation progress update.
- (b) Current Developments and News – this includes updates relating to CIPFA benchmarking, recent training sessions, amendments to internal processes in relation to Annual Allowance and results for The Pension Regulator (TPR) Data Quality report 2019.
- (c) Communications – the date for this year's AJCM.

RECOMMENDATIONS

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| 1 | That the Committee consider the update and provide any comments. In particular the Committee should note the statistics highlighting the excellent progress with data cleansing (including the submission of valuation data) and the iConnect implementation. |
| 2 | That the Committee approve the change in timescales to the business plan as outlined in paragraph 1.01. |

REPORT DETAILS

| 1.00 | ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS |
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| 1.01 | <p data-bbox="320 322 783 353">Business Plan 2019/20 Update</p> <p data-bbox="320 396 1391 501">Progress against the business plan items for quarter two of this year is generally on track as illustrated in appendix 1. Key items to note relating to this quarter's work are as follows:</p> <ul data-bbox="320 544 1391 2045" style="list-style-type: none"> <li data-bbox="320 544 1391 981">• A3 & A8 Under/Overpayments Policy & GMP Reconciliation project– A3 (the policy) had previously been delayed due to the requirement of more information in relation to the GMP reconciliation project. All outstanding GMP queries have now been responded to by HMRC. We are now able to progress this item although an extension to the timescales into Q3 is required to consider the impact of any potential under/over payments. The GMP reconciliation (A8) remains on track; a meeting will take place between the CPF and Equiniti this month to discuss the next phase of the project and the workload implications on the Administration Team. If any decisions need to be made before the next committee meeting regarding tolerances for the under/overpayments policy, the Fund's urgent decisions delegation process will be used. <li data-bbox="320 987 1391 1205">• A4 Review Administration & Communications Strategy Statements - The Administration and Communication Strategies were issued to employers for consultation following the Committee meeting in June. Only minor feedback was received. It has been considered and as agreed, under delegation, appropriate amendments have been made to the strategies. The final versions are available on the CPF website. <li data-bbox="320 1211 1391 1608">• A5 Preparation of Member Data for Valuation and Funding Reviews – The valuation data extract has been successfully prepared and submitted to Mercer. Any anomalies have either been rectified or confirmed as correct. There was a noticeable reduction to the number of queries this year compared to the last valuation. This is a direct result of the on-going data cleansing utilising the Data Improvement Plan and the continued drive to move employers towards monthly submissions via i-Connect since the last valuation. The valuation work completed by Mercer, as authorised at the June Committee meeting cost £63,740. This work, along with internal data cleansing, assisted in much better data being submitted for the 2019 valuation. <li data-bbox="320 1615 1391 1865">• A6 Implement Survivor Benefits Changes: Amendment LGPS Regulations & Elmes versus Essex High Court Ruling – Work is continuing to identify surviving partners that may be entitled to benefits under the new rulings. The timescales for this item have slipped due to the difficulties of identifying affected members and the sensitivity of this project. An extension into Q4 is required to communicate and calculate the benefit entitlements once confirmed. <li data-bbox="320 1872 1391 2045">• A10 Data Improvement Plan Development / Implementation – The results from the Pension Regulator (TPR) questionnaire for 2019 have been received and initial observations are pleasing. A revised Data Improvement Plan will be developed to incorporate the new results as well as any outstanding existing actions. |

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| | <ul style="list-style-type: none"> A12 iConnect – Good progress is being made with data cleansing and member matching exercises as part of the on-boarding process in preparation for Wrexham CBC to start using iConnect. Appendix 2 shows the current employers, and the corresponding number of active scheme members, that are currently using iConnect. This shows that 66% of the Fund's active members are managed via iConnect. Once the successful on-boarding of Wrexham is complete the number of members that are reported to the CPF via iConnect will be 15,230 (92% of active scheme members). The remaining employers covering 1303 scheme members will on-boarded by the end of 2020/21 in line with the Fund's business plan. |
| 1.02 | The Committee is asked to agree the extension of timescales above relating to A3 and A6. |
| 1.03 | <p>Current Developments and News</p> <p>A separate LGPS update report has been provided by Mercer and is included with the Committee Papers. In general we are aware of the points highlighted in the report and a number of these are specifically referred to in the Business Plan for 2019/20. The following includes some of these points as well as other developments and news:</p> <ul style="list-style-type: none"> The CIPFA Benchmarking Questionnaire has been completed adhering to new CIPFA guidance. Comparison reports will be made available for the participating funds to view. It is hoped that a higher number of funds will have completed the questionnaire therefore adding value to the results. Extensive work has been carried out to understand and streamline the Annual Allowance process. This relates to potential tax charges for scheme members who have high levels of growth in their pension benefits during a year, and the rules around how benefits are impacted by the Annual Allowance are extremely complex. The review has included more intensive internal training, additional quality checks of individual calculations by Mercer and the creation of enhanced procedural notes and documents. This is an area that can impact on a members' tax liability and will continue to affect more members each year due to changing thresholds. We have recently received the results for the LGPS Scheme Specific and Common Data Quality Report 2019 as requested by The Pension Regulator (TPR). The factors that are used for data measurement changed this year but for continuity purposes we are still able to measure against the original factors to assess true improvements. Therefore, appendix 3 and 4 show both the results on the new factors and on last year's factors. Based on the original factors, the Scheme Specific score increased from 68.2 % to 81.7% and the Common Data score decreased from 92.7% to 92.1%. Although the Common data score shows a decrease there are 3,867 more members in scope for testing this year. The data improvement plan will focus on areas where the data quality reports have highlighted data recording as potentially incorrect or missing. Based on the new factors the Scheme Specific score that will be reported to TPR is 92.7% and the Common Data score is 96.8%. |

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| | Policy and Strategy Implementation and Monitoring | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.05 | <p><i>Administration Strategy</i></p> <p>The latest monitoring information in relation to administration is outlined below:</p> <ul style="list-style-type: none">• Day to day tasks – Appendix 5 provides the analysis of the numbers of cases received and completed on a monthly basis to July 2019 since April 2016 as well as how this is split in relation to our three unitary authorities and all other employers. The number of tasks being completed by the team remained consistently high during the busy year end period and whilst providing training to the new members of staff. The statistics also show the ongoing high level of work being received.• Key performance indicators – Appendix 6 shows our performance against the key performance indicators that are measured on a monthly basis up to July 2019. The charts illustrate that improvements are being made within most of the Clwyd Pension Fund target areas. The appointment of new members of staff has had an immediate impact on some of these areas such as Joiners, with both a high number of cases and solid performance compared with the target KPI. The Committee is also asked to note the graphs in part 5 and 6 which show consistently high numbers of retirements and quotations, with strong performance against KPIs. The focus is now to improve the legal requirements where possible before implementing the new indicators as per CIPFA and TPR guidance. A workflow review project will be undertaken to ensure existing reporting methods remain fit for purpose. Any outcomes of this will be reported at the November Committee. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.06 | <p><i>Internal dispute resolution procedures</i></p> <p>In relation to the cases outstanding for 2018/19:</p> <ul style="list-style-type: none">• there are two Stage One appeals which are currently ongoing against the employer. These are both in respect of the non-award of ill health benefits.• five Stage One appeals against the employer have been rejected.• three Stage One appeals against the employer have been upheld.• both Stage One appeals against the Administering Authority have been rejected.• of the Stage 2 appeals against the employer, two were upheld and one was rejected.• the Stage 2 appeal against the Administering Authority was rejected. <p>In relation to the cases outstanding for 2019/20:</p> <ul style="list-style-type: none">• there are two Stage One appeals against the employer for non-award of ill health benefits and two Stage One appeals against the employer for the tier of ill health retirement that was awarded. <table><tr><td></td><td colspan="4">2019/20</td></tr><tr><td></td><td>Received</td><td>Upheld</td><td>Rejected</td><td>Ongoing</td></tr><tr><td>Stage 1 - Against Employers</td><td>4</td><td></td><td></td><td>4</td></tr><tr><td>Stage 1 - Against Administering Authority</td><td>0</td><td></td><td></td><td></td></tr><tr><td>Stage 2 - Against Employers</td><td>0</td><td></td><td></td><td></td></tr><tr><td>Stage 2 - Against Administering Authority</td><td>0</td><td></td><td></td><td></td></tr></table> | | 2019/20 | | | | | Received | Upheld | Rejected | Ongoing | Stage 1 - Against Employers | 4 | | | 4 | Stage 1 - Against Administering Authority | 0 | | | | Stage 2 - Against Employers | 0 | | | | Stage 2 - Against Administering Authority | 0 | | | |
| | 2019/20 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Received | Upheld | Rejected | Ongoing | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 1 - Against Employers | 4 | | | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 1 - Against Administering Authority | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 2 - Against Employers | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 2 - Against Administering Authority | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | 2018/19 | | | |
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| | | Received | Upheld | Rejected | Ongoing |
| | Stage 1 - Against Employers | 10 | 3 | 5 | 2 |
| | Stage 1 - Against Administering Authority | 2 | | 2 | |
| | Stage 2 - Against Employers | 3 | 2 | 1 | |
| | Stage 2 - Against Administering Authority | 1 | | 1 | |
| | There are no CPF cases that are currently with the Pensions Ombudsman. | | | | |
| 1.07 | <p><i>Communications Strategy</i></p> <p>The Communications Team has provided the following communications since the last update:</p> <ul style="list-style-type: none"> • Twelve emails have been sent to all employers providing information in relation but not limited to the responses to the valuation and exit cap consultations, satisfaction survey results, CPF Communication and Administration Strategies for consultation and the updated LGA, HR and Payroll guides. • Numerous presentations to employers and members have taken place, including retirement seminars, LGPS presentations and individual sessions explaining combining benefits for multiple employments. • The Deferred and Active annual benefit statements have been issued to members including relevant guidance notes via their chosen method of communication. • The Annual Report has also been prepared. <p>Regulations and Communications Team members have also attended website training sessions with Aquila Heywood.</p> | | | | |
| 1.08 | <p>Other key points in relation to communications include:</p> <ul style="list-style-type: none"> • The AJCM is being held on the 12th November this year. As such the Communications Team are working towards coordinating the agenda incorporating guest speakers and staff presentations. All Committee and Board members are encouraged to attend the AJCM. • As a result of the satisfaction survey, improving engagement with employers and members is now a key objective for the Regulations and Communications Team. As such, additional 1-2-1s for members have been offered to facilitate discussions in relation to annual benefit statements and additional training sessions have also been offered to employers. • An employer pack is being developed to explain the Alternative Delivery Model process. | | | | |
| 1.09 | <p>Appendix 7 provides an updated summary of Member Self Service (MSS) registered users, which illustrates that enrolment to Member Self Service continues to grow. It has increased by over 500 members since the last meeting with just under 40% of active members now registered to use this on-line facility. It is pleasing to see this increase in a short period of time (two months) and particularly given annual benefit statements have just been issued via MSS for the majority of scheme members.</p> | | | | |

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| 1.10 | <p>Delegated Responsibilities</p> <p>The following have been agreed using delegated responsibilities since the last committee meeting.</p> <ul style="list-style-type: none"> • Approval of Hafan Deg as a new employer within the scheme – further details are contained within Appendix 8. • Updated Communication Strategy |
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| 2.00 | RESOURCE |
| 2.01 | <p>Following the successful recruitment to all of the vacant positions, all members of staff are now in place and training is underway. In addition, two Modern Apprentices are due to start with us this month whom in time will assist with the joiner process and other areas of administration.</p> <p>As part of the on-going staffing review, a full analysis of the Technical and Payroll team is required. This is to ensure that the current resource levels in that team are adequate taking into consideration the additional workload in relation to Pensioner Payroll, iConnect, MSS and website.</p> <p>Staffing levels will be continuously reviewed to measure the impact of the new team members on workloads.</p> |

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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | <p>The Communications Strategy was consulted on with our Employers as outlined in the Business Plan update 1.01.</p> |

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| 4.00 | RISK MANAGEMENT |
| 4.01 | <p>Appendix 9 provides the dashboard and the extract of administration and communications risks. The key risks continue to relate to:</p> <ul style="list-style-type: none"> • Employers not understanding or meeting their responsibilities which could lead to us being unable to meet our legal or performance expectations, • Big changes in employer numbers, scheme members or unexplained work increases which could lead to us being unable to meet our legal or performance expectations. This is considered a high risk due the range of potential national changes and particularly the potential impact of the employer cost management process and McCloud judgement. • Systems are not kept up to date or not utilised appropriately, or other processes inefficient, which could lead to high administration costs and/or errors. This is currently high due to a major organisational change in the supplier of the CPF administration system. |

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| 4.02 | <p>Since the last update, the following risks have been updated, mainly to show where outstanding actions have now been completed:</p> <ul style="list-style-type: none"> • Risk number 1 –unable to meet legal and performance expectations due to staff issues e.g. poorly trained or insufficient staff. The internal controls now include the establishment of the aggregation team and this has been removed as an outstanding action. • Risk number 2 – unable to meet legal and performance expectations due to employer issues e.g. not understanding their responsibilities, poor data transmission and insufficient resources. The internal controls have been updated to include the implementation of further APP checks to identify issues and updated Administration Strategy to include a compliance declaration. These have both been removed as outstanding actions. • Risk number 3 – unable to meet legal and performance expectations due to external factors e.g. big changes in employer or scheme member numbers or unexpected work. A new action has been added for ongoing consideration of likely national changes and impact on resources. This is as a result of recent court cases that may impact current LGPS processes, including McCloud. This will be monitored until the impact of the proposed changes is better understood. • Risk 5 – High administration costs and/or errors. The internal controls have been updated to include the implementation of other Altair modules including in-house lump sum payment facility. This has been removed as an outstanding action. |
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| 5.00 | APPENDICES |
| 5.01 | <p>Appendix 1 – Business Plan update 2019/20</p> <p>Appendix 2 – I –Connect statistics</p> <p>Appendix 3 – Scheme Specific Data Results</p> <p>Appendix 4 – Common Data Results</p> <p>Appendix 5 – Analysis of cases received and completed</p> <p>Appendix 6 – Key Performance Indicators</p> <p>Appendix 7 – Member Self Service update</p> <p>Appendix 8 – Delegated Responsibilities</p> <p>Appendix 9 – Risk register update</p> |

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| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <p>Report to Pension Fund Committee – Business Plan 2019/20 to 2021/22</p> <p>Contact Officer: Karen Williams, Pensions Administration Manager</p> <p>Telephone: 01352 702963</p> <p>E-mail: karen.williams@flintshire.gov.uk</p> |

| 7.00 | GLOSSARY OF TERMS |
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| 7.01 | <p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) TPR – The Pensions Regulator – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.</p> <p>(g) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.</p> <p>(h) MHCLG – Ministry of Housing, Communities and Local Government – the government department responsible for the LGPS legislation.</p> |