

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 March 2023
Report Subject	Administration and Communications Update
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

The last update report including items for information or discussion relating to administration and communications was provided at the November Committee meeting, therefore this update report includes matters since that date.

This update includes matters that are mainly for noting, albeit comments are clearly welcome.

The report includes updates on:

- Progress against targets for the 2022/23 to 2024/25 Business Plan
- Current Developments and News – this includes updates relating to CARE revaluation, annual and lifetime allowance changes announced at the recent budget, payroll functionality and the Employer Engagement Session
- Day to day tasks and key performance indicators – showing the position to the end of February 2023
- Resource - including an update on recruitment and retention within the Administration Team

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
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REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS
1.01	<p data-bbox="320 322 783 353">Business Plan 2022/23 Update</p> <p data-bbox="320 396 1358 533">Progress against the Business Plan items for quarter four of this year is positive for the majority of items with some areas continuing into 2023/24 as illustrated in Appendix 1. Key items to note relating to this quarter's work are as follows:</p> <ul data-bbox="320 544 1385 2051" style="list-style-type: none"><li data-bbox="320 544 1347 611">• A2 – McCloud judgement – as usual an update on this programme is included later in this report.<li data-bbox="320 622 1385 1167">• A3 – National Pensions Dashboard – The Pensions Minister recently issued a written statement announcing delays to the delivery of Pensions Dashboards. A full version of the statement can be seen here. The Pensions Dashboards Programme requires additional time to ensure that the Dashboards infrastructure that is being built is safe, secure, and works for both pension schemes and the end users of the service. It is not clear at this stage if all the connection deadlines will be pushed back or if just the earlier ones will change and the later ones will remain the same. As the connection deadline for the Fund is September 2024, it is intended that work will continue as previously planned with further guidance expected from the Pension Regulator at a webinar on the 30th March 2023. The Pensions Administration Manager continues to attend regular meetings with both Heywood (the administration software provider) and the Pension and Lifetime Savings Association (PLSA) as part of a project team.<li data-bbox="320 1178 1385 1496">• A6 – Review Administration and Communications related Policies and Strategies – A review of the Discretions Policy has commenced and is currently being worked on. This is later than planned due to current workloads. It will be considered and approved under the appropriate delegation prior to the next Committee meeting. The Voluntary Scheme Pays Policy has been updated but has been delayed due to the tax allowance changes mentioned at the budget on 15 March. It will be updated in early April and then put for approval using the appropriate delegation.<li data-bbox="320 1507 1294 1644">• A7 – Review pensioner existence checking – The Fraud Strategy development is now complete. This is later than planned due to prioritising business for the Committee. Please see the separate agenda item including the proposed strategy.<li data-bbox="320 1655 1353 2051">• A9 - Develop and implement a refreshed Communications Strategy – The procurement of an on-line survey provider to facilitate the completion of member satisfaction surveys is complete. Satisfaction survey questions have been agreed and issued to all members according to their communication preference this quarter along with information about the new logo and branding guidelines. Once members have hopefully responded to the survey, a focus group can be established to plan future communications to members. Although good progress is being made, some elements are running slightly behind schedule due to delays earlier in the year in recruiting a new Communications Officer.

	<ul style="list-style-type: none"> • A10 – Trivial Commutation – Due to the impact of paying adjustments relating to the retrospective pay award on the payroll team, no further progress has been made in this area. This is a lower priority project and will be picked up as and when resource allows. • E1 – McCloud Employer Liaison Team (ELT) Services – Good progress has been made with the provision of data for those employers using the liaison team. Work continues to ensure deadlines are met successfully.
1.02	<p>Current Developments and News</p> <p>The following details developments and news in addition to business as usual</p> <p><i>McCloud update</i></p> <p><u>CPF Programme Update</u> - An update on the progress of the Clwyd Pension Fund McCloud programme is attached as Appendix 2. The programme currently has an overall health status of green, meaning that it is largely on track. The McCloud Team are continuing to engage and work with employers regarding the submission of their data. The process to validate the data had previously been agreed and approved by the Programme Management Group (PMG) and is now a regular agenda item for the data workstream meetings to ensure the process is reviewed regularly and remains stringent and fit for purpose. Following receipt of the data the McCloud team will then work towards validating the data.</p> <p>The Scheme Advisory Board has issued guidance on McCloud data collection, outlining appropriate methods to obtain/estimate data where it cannot be reliably obtained from an employer. The guidance also covers data validation and the McCloud Team are considering the guidance, although it is not expected to significantly impact the agreed approach.</p> <p><u>McCloud Regulatory Update</u> - The minutes of the September 2022 Local Government Pension Scheme (LGPS) Communications Working Group meeting report that the Department for Levelling Up, Housing and Communities (DLUHC) response to the 2020 consultation on draft regulations to implement the McCloud remedy in the LGPS is now expected "early in 2023". We have since heard from DLUHC that the consultation response is expected in Spring 2023, with a consultation on draft regulations to follow later in 2023 and will come into force on 1 October 2023. It is anticipated that this will have a knock-on effect on other steps and timings detailed in previous updates albeit the McCloud Programme will continue as normal until further clarification is received.</p>
1.03	<p><i>2023 Spring Budget Update</i></p> <ul style="list-style-type: none"> • The Budget on 15 March 2023 announced the removal of the lifetime allowance which will be abolished completely from April 2024, albeit lifetime allowance charges will be removed from April 2023. The annual allowance has also been increased from £40,000 to £60,000 from April 2023. As well as being welcome by scheme members who would be impacted by these allowances, these are helpful for the Fund's administration team as it is likely they will have a small reduction to workloads in this area. As with all changes, there will need to be some

	updates to the Fund's administration processes to implement the changes.
1.04	<p><i>CARE Revaluation Change</i></p> <ul style="list-style-type: none"> The DLUHC consulted on draft regulations which will make changes to try to avoid members of the LGPS being exposed to an Annual Allowance charge due to a mismatch between the Consumer Prices Index (CPI) figure to be used for scheme revaluation (which for 2022/23 is 10.1%) and the CPI figure by which a pension can grow without contributing to an individual's Pension Input Amount (PIA) for the 2022/23 tax year (3.1%). The consultation closed on the 24 February 2023 and DLUHC have confirmed that the change will proceed and amendment regulations have now been made. The Fund agreed with the majority of the proposals in principle, however given the limited timescale for any software updates, it is anticipated that there will be an element of manual intervention required. A further update including the impact this change has had will be provided at the next Committee meeting.
1.05	<p><i>Other updates</i></p> <ul style="list-style-type: none"> Following a successful period of testing, the Technical and Payroll team have successfully transitioned the payroll system onto a new enhanced system provided by Heywood, the Fund's software supplier, in time for Pension Increase calculations to be performed in April. The enhancements will reduce the level of manual intervention usually required at this time of year to ensure all pensioner records have the correct amount of increase applied and paid accordingly. It is hoped that further efficiencies will also be made in the coming months as processes become more streamlined. As previously reported, the workload coming into the Fund continues to increase. Following some initial analysis of data, and at the request of the Pension Administration Manager, consultants from both Mercers and Aon have assisted with identifying if this trend is likely to continue and if so for how long. It is hoped that the outcome of the workload analysis will assist in determining what resource levels will be required within the Operations Team going forward. Further monitoring will continue and an update will be provided at the next Committee meeting.
1.06	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Administration Strategy</i></p> <p>The latest monitoring information in relation to administration is outlined below:</p> <p><u>Day to day cases</u> – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis up to and including February 2023 since April 2019 as well as how this is split in relation to our three unitary authorities and all other employers.</p> <p>The number of cases completed by the team in November up to and including February was 11,251 compared to 12,614 in the same reporting period last year. The number of incoming cases was 11,344 compared to 11,500 for the same period. It is however important to recognise there will</p>

	<p>be variables which mean a like for like comparison is difficult; the 11,500 included a batch of 500 leaver cases as a result of an employer completing a one-off data cleansing exercise for all casual contract staff members. All back-dated pay award recalculations now have a process allocated to the member record which will be included in the 11,344 and this is an exercise that didn't impact us last year.</p> <p>A successful recruitment campaign in November has resulted in a number of new members of staff commencing employment in January (further information is provided in item 2.01). The team continues to work hard to train new members of staff. The number of open cases has remained consistent, being 5,878 at the end of October and 5,872 at the end of February. It is hoped that once training of new staff members is complete the number of open cases will reduce.</p>
1.07	<p><u>Key performance indicators</u> – Appendix 4 shows our performance against the KPIs that are measured on a monthly basis up to and including February 2023. The summary reports illustrate the number of cases that have been completed over either 3 months or 12 months, as well as the proportion completed within the agreed KPI target timescales.</p> <p>As can be seen, across three months and twelve months, there are a number of KPIs where the number of completed cases has reduced.</p> <p>The key processes that cause some concern are those impacted by the recalculation of benefits due to the retrospective 2022 pay award that was paid in November, these being retirements, leavers, transfers out and deaths. Resource is constantly being reviewed in these areas as the same staff members are responsible for these areas as well as recalculations relating to the retrospective pay awards. The numbers relating to recalculations due to pay awards are not included in the KPIs.</p> <p>As well as the additional work caused by these recalculations, the other key reasons for the reduction in performance against some KPIs are due to the training of new staff and the Christmas holiday period and so it is expected that this will improve, albeit some will improve quicker than others. Staff members continue to work additional hours, if possible, and the priority for the Operations Team continues to be cases where a payment is made either to an individual or a third party. The management of challenging regulatory timescales for significant numbers of cases will continue to be difficult whilst new staff are being trained and appointed following the approval of additional temporary positions by urgent delegation as declared in section 1.10 of this report. Resourcing is considered further later in this report.</p>
1.08	<p>Internal dispute resolution procedures (IDRP) In relation to the cases for 2021/2022:</p> <ul style="list-style-type: none"> • There were seven Stage One appeals against employers. Four have been rejected and three have been upheld <ul style="list-style-type: none"> ○ Of the four that have been rejected or invalidated, one related to non-award of redundancy pension when the member believed they had been made redundant, two were for non-award of ill health retirement, and the fourth is an

- appeal made by a member who is not being permitted to work more than 2 years beyond their flexible retirement date.
- Of the three that have been upheld, all members have now been awarded tier 1 ill health retirement.
- No Stage Two appeals were made during the 2021/2022 scheme year.

In relation to the cases for 2022/2023:

- There are nine Stage One appeals against employers. Three have been rejected, one has been upheld and five are still ongoing.
 - All three that have been rejected relate to non-award of ill health retirement
 - For the one that has been upheld, the member has now been awarded tier 1 ill health retirement
 - The five outstanding appeals relate to either non award of ill health retirement or the member disagreeing with the tier of ill health retirement that they have been awarded.
- One Stage Two appeal has been submitted against an employer. The member appealed that they were only awarded tier 2 ill health retirement. This appeal has been rejected.

	2021/2022			
	Received	Upheld	Rejected	Ongoing
Stage 1 – Against Employers	7	3	4	0
Stage 1 – Against Administering Authority	0	0	0	0
Stage 2 – Against Employers	0	0	0	0
Stage 2 – Against Administering Authority	0	0	0	0
	2022/2023			
	Received	Upheld	Rejected	Ongoing
Stage 1 – Against Employers	9	1	3	5
Stage 1 – Against Administering Authority	0	0	0	0
Stage 2 – Against Employers	1	0	1	0
Stage 2 – Against Administering Authority	0	0	0	0

There are no Clwyd Pension Fund cases that are currently with the Pensions Ombudsman.

1.09

Communications Strategy

Following on from the approval of the new Communications Strategy last year, the Communications Team have been working towards completing the new messaging and branding guidelines which will accompany the logo. We hope to go live with the new logo and branding in April following positive feedback from employers at the Annual Joint Consultative Meeting and at the last Committee meeting.

The Communications Team are also working towards improving engagement with employers and scheme members. The following communications have taken place since the last update:

	<ul style="list-style-type: none"> • Earlier this month, the Fund hosted the first face to face Employer Engagement Session. This enabled employers to network in a relaxed environment and discuss any challenges they might be experiencing in relation to their CPF responsibilities and also offer best practice ideas. The Pension Administration Manager along with all Principal Pension Officers attended. Feedback from the eight employers in attendance was very positive with a further session planned in September. • Twelve emails have been sent to all employers providing information in relation to various matters including LGA training dates, new employee contribution bandings and the auto enrolment thresholds for 2023/2024. A new style Leaver form has also been circulated to employers, giving an opportunity to provide feedback and comments. • Following on from the publication of the annual benefit statements back in August last year a further 29 member 1-2-1 sessions have been completed taking the total to 164 so far this year either virtually or face to face. Going forward, the new Communication Strategy will be looking for alternative means of engaging with scheme members and explaining the content of the benefit statements and what options members have, rather than proactively advertising the availability of 1-2-1 sessions. However should a member request such a session this will, of course, be provided.
1.10	<p>Other key points in relation to communications include:</p> <ul style="list-style-type: none"> • The annual webinars to support members with their taxation queries in relation to the Annual Allowance tax charge have now concluded. The webinars are provided by a taxation specialist from Mercer have proved very popular again this year with an increasing number of members in attendance and additional dates having to be added to meet demand. • Communications relating to the tax changes announced at the March budget and the change to CARE revaluation will also need to be developed and issued to scheme members. • Two bespoke training sessions have been provided giving information to members whose employment is coming to an end and guidance in relation to the Transfer of Undertakings (Protection of Employment) TUPE process. A TUPE transfer ensures that an employee will not lose their existing pensions rights upon the transfer of employment from one employer to another.
1.11	<p>Appendix 5 provides an updated summary of MSS registered users, which illustrates that enrolment to MSS continues to level out with the total number of members that have registered remaining at just over 50% of the scheme membership. The number of members that have opted for paper correspondence has also remained static with approximately 17% of the scheme membership opting for this method of communication. Focus continues to be on those members who have not declared a communication preference and are therefore potentially not receiving important information about their benefits. A further push will be made in</p>

	<p>the coming months to engage with these members as part of the Pension Dashboard data preparations.</p> <p>For those members that are registered on MSS, use of the facilities within MSS continues to increase. During the four month reporting period:</p> <ul style="list-style-type: none"> • 141 members have requested a retirement pack for their deferred benefit via MSS • the benefit projector continues to be a very popular function with 15,357 benefit projections having been calculated using MSS functionality • there have also been 435 changes to member's expression of wish details, 512 address updates and 41 bank account changes.
1.12	<p>Delegated Responsibilities</p> <p>A request to temporarily increase the Administration Section establishment has been approved using delegated responsibilities since the last committee meeting. Further details are contained within Appendix 6.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>Since the last update, the five vacant positions (a mixture of full-time and part-time) have been filled following a successful recruitment campaign. As a result of the recruitment campaign, a number of additional candidates were identified who could immediately be offered a position to assist with increased workloads due to a number of short-term issues including:</p> <ul style="list-style-type: none"> • Retrospective pay award recalculations • General increase in the number of retirement cases • Employer data cleansing exercises • One-off projects <p>An urgent delegation was requested (as detailed in section 1.10 of this report) for an additional 5 full time equivalent (FTE) staff members to temporarily increase the administration section establishment. Following approval using the appropriate delegation, 2.4 of the 5 additional temporary positions have been appointed to. The remaining 2.6 positions will be advertised shortly and an update will be provided at the next meeting.</p> <p>To help manage and train the additional staff members, the budget for a new temporary Principal Pensions Officer has been requested as part of the 2023/24 budget (see separate Business Plan and Budget agenda item). The intention is that this role will lead a project team that will focus on ad-hoc project work. It is hoped that by ringfencing business as usual work from project work, this will enable the re-prioritisation of day-to-day calculations within the Operations Team, resulting in a reduction in the number of open cases and improvement in the KPIs.</p> <p>As mentioned in the November Committee update, it is proposed that any remaining vacant Pension Officer positions are recruited at the lower</p>

	<p>Pension Assistant grade where recruitment is likely to be easier, albeit it is recognised this will result in a greater level of training with the successful candidate(s).</p> <p>Due to the significant recruitment of new staff members, training requirements will be very labour intensive and improvements are not expected in the short term. In the longer term, recruiting a potential project team within the Administration Team will assist with peaks in workload and also enable adequate succession planning and evaluation of team structures.</p> <p>Staffing levels will be continuously reviewed within the McCloud, ELT and Administration teams.</p>
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	<p>Appendix 7 provides the dashboard and the extract of administration and communications risks. The only risk with any key changes made to it since the November Committee is as follows:</p> <ul style="list-style-type: none"> • Risk number 1 - Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues. As described in this report, following a successful recruitment campaign and the approval to appoint additional temporary staff it was considered appropriate to reduce the current likelihood of this risk from Very High to Significant. As mentioned earlier in the report, staffing levels will continue to be reviewed and appropriate action taken if required.
4.02	<p>The key risks which are furthest from target continue to be:</p> <ul style="list-style-type: none"> • Risk number 1 - Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues. • Risk number 2 - Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues. • Risk number 3 - Unable to meet legal and performance expectations due to big changes in employer numbers or scheme members or unexpected work increases. • Risk number 6 – Service provision is interrupted due to system failure or unavailability.
4.03	<p>There has been a fundamental review of the risk register and, as a result, there have been a number of changes to the wording within the risk register to ensure it is fully up to date in relation to the risk descriptions, current controls in place and outstanding actions.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 - Business Plan 2022-23 to 2024-25</p> <p>Appendix 2 – McCloud Programme update report</p> <p>Appendix 3 – Analysis of cases received and completed</p> <p>Appendix 4 – Key Performance Indicators</p> <p>Appendix 5 – Member Self Service update</p> <p>Appendix 6 – Urgent Delegations</p> <p>Appendix 7 – Risk register update</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Report to Pension Fund Committee – Pension Administration Strategy (March 2021) • Report to Pension Fund Committee – Communications Strategy (June 2022) • Report to Pension Fund Committee - 2022/23 Business Plan (March 2022) <p>Contact Officer: Karen Williams, Pensions Administration Manager Telephone: 01352 702963 E-mail: karen.williams@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
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>

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| <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 DLUHC.</p> <p>(h) DLUHC – Department of Levelling Up, Housing and Communities
– The government department responsible for the LGPS legislation.</p> |
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