CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 30 August 2023
Report Subject	Administration and Communications Update
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

This update report includes matters arising relating to administration and communications since the previous update report provided at the June Committee meeting.

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

The report includes updates on:

- Progress against the administration and communications related matters in the Fund's 2023/24 Business Plan
- Current Developments and News – including updates on the Fund's McCloud programme, annual allowance and overseas member existence checks.
- Monitoring against the Administration strategy in relation to day to day tasks and key performance indicators – showing the position to the end of July 2023
- Resource – including an update on recruitment and retention and the recent movement within the Administration Team

RECOMMENDATIONS	
1	That the Committee consider the update and provide any comments.

REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS
	Business Plan 2023/24 Update
1.01	Progress against the business plan items for quarters one and two of this year is positive for all items with some areas not yet due as illustrated in Appendix 1. Key items to note relating to this quarter's work (Q2) are as follows: • A1 – Change to CARE revaluation and changes affecting pensions tax – The review of relevant processes and staff training required in relation to changes announced in the budget is now complete. Preparation for the Pension Saving Statement (PSS) exercise is underway and relevant communications have been reviewed. • A2 – McCloud judgement – as usual an update on this programme is included later in this report. • A3 – National Pensions Dashboard – The Pensions Dashboards (Amendment) Regulations 2023 have been made and came into force on 9 August 2023. The regulations replace the original staging timetable with a single, long stop, connection deadline of 31 October 2026. TPR has updated its initial guidance to take account of the new regulations. This confirms that the DWP and the Money and Pension Service will publish guidance setting out a [new] staging timeline for schemes. The staging timeline will indicate when schemes (by size and type) are scheduled to connect. The regulations require trustees to "have regard" to guidance issued in relation to connection. TPR's guidance now confirms that failure to have regard to the DWP and MaPS guidance on staging (when it is issued) will be a breach and sets out how schemes will be expected to demonstrate that they have had regard to it. The Pensions Administration Manager and Project Team Leader continue to attend regular meetings with Heywood (the administration software provider) and the Pension and Lifetime Savings Association (PLSA) as part of a PLSA project team. • A8 – Implement the new Communications Strategy – The content of the Fund's website continues to be reviewed to ensure clear and concise language is being used. The website has also been updated to include a Member Self Service (MSS) registration guide in video format, both in English and Welsh with subtitles along with a deferred Annual Benefit Statement (ABS) guidance video in the same format. The active ABS guidance video will be uploaded ready for the required issue date of 31 August. A new telephony service is being discussed with FCC to help improve service to members who wish to contact us by phone, through use of an automated menu system to direct incoming calls. • E1 – McCloud Employer Liaison Team (ELT) Services – Good progress continues to be made with the provision of data for those employers using the liaison team. Work continues to ensure deadlines are met.

1.02	**Current Developments and News**
	The following details developments and news in addition to business as usual
	McCloud update
	<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 is 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 by each employer the McCloud team work towards validating the data. In order to achieve the programme milestones, these two processes can work in tandem whereby some of the smaller employers' data can be validated before data collection for the larger employers has been fully complete.
	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 impact the agreed validation approach.
	A link to a recent DLUHC member McCloud factsheet was included in the deferred annual benefit statements (ABS) that were issued in June. Consideration is being given to the active ABS, work on which commenced in July 2023.
	The date of the appeal hearing in relation to the Trades Unions' application for a judicial review of the Government's decision to allocate McCloud costs to members as part of the cost management process is still unknown (The application was dismissed back in March 2023, but the Court of Appeal subsequently granted permission to appeal.) This may be discussed at the Cost Management Sub-Committee meeting which is planned for September. An update will be provided at a future Committee meeting once known.
	The McCloud team continues to engage with the software supplier to implement changes to the scheme rules from 1 October 2023, so the review of leavers' benefits can commence once the regulations come into force. The McCloud team have set aside two separate weeks over August and September 2023 for systematic testing.
	<u>McCloud Regulatory Update</u> - Draft regulations and a further consultation were published (on 30 May 2023). This additional consultation was designed to obtain further views in some areas and to seek views where the initial consultation did not address an issue. DLUHC is seeking general

	views on how the McCloud remedy will work for scheme members with multiple periods of LGPS membership ("aggregation"), previous membership with another public service scheme, flexible retirement, pension sharing on divorce and injury allowances. DLUHC is also seeking technical comment on areas where the policy approach has now been determined in relation to excess teacher service, compensation and interest on McCloud related payments. The consultation ran until 30 June 2023 and the McCloud programme team provided input into the response provided by Aon. Following this consultation, the regulations are expected to be made in September 2023 before the coming into force date of 1 October 2023. The delay to the regulatory timetable puts pressure on the programme but the team is closely monitoring the situation and will consider its approach to processing casework around this period.
1.03	*Other updates* • <u>Annual Allowance</u> – The Project Team have commenced collecting data from employers and updating member records as part of the preparation required for the annual allowance calculation. The Fund is required to issue Pension Saving Statements (PSS) to scheme members who have either exceeded the annual allowance limit during a tax year or are at risk of doing so (as described in the policy for Administration and Communication of Tax Allowances to scheme members) by 6 October. This is a very complex annual project; the team are currently working on these and it is likely that around 60 PSS will be issued this year. As with last year, a save the date email has been issued to relevant members regarding the opportunity to attend a pensions tax webinar and an individual review session hosted by the Fund and delivered by Mercer. Given the complexity of the annual allowance, this will help the affected members understand what the annual allowance is and the implications of exceeding it. • <u>Administration Team Review</u> – The Pension Administration Manager along with Team Leaders has reviewed the current individual administration team structures and workflow analysis. Details of where efficiencies can be made and where additional resource is required has been provided to Committee in a separate paper which illustrates the findings of the review and puts forward recommendations for approval. Further work is on-going as part of the wider Fund's implementation of the national Good Governance recommendations. • <u>Benefit Statements</u> – The Technical and Payroll team along with the Communications team are in the final stages of the Annual Benefit Statement process and statements will be issued to active members by the 31 August via the members' preferred method of communication. Deferred members received their statements in July. • <u>Backdated Pay Award</u> – A small number of employers have now agreed the pay award for 2023. Both ELT and the Operations team are working towards correcting member records and paying arrears of pension to members whilst also re-calculating transfers, refunds etc for affected members using their updated pay. <u>Overseas Existence Checking </u>– The Technical and Payroll Team are liaising with Convera (overseas pension payment provider) to arrange for the Fund's overseas pensioner members to complete an existence

	check. Triennial existence checks take place to assist with the identification of any potential fraud. This is a fraud prevention measure as detailed in the Fund's Anti-Fraud and Corruption Strategy.
1.04	**Policy and Strategy Implementation and Monitoring** *Administration Strategy* The latest monitoring information in relation to administration is outlined below: Day to day cases – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis from April 2020 up to and including July 2023, and how this is split in relation to our three unitary authorities and all other employers. The number of incoming cases for June and July was 5,403 (with more than 3,000 in July, the highest it has been for this time of year since we started monitoring incoming cases). This may be partly due to recent engagement with members via the satisfaction survey and the annual Pension Increase award in April. The number of cases completed by the team since the last update for the same period was 4,937, which is pleasing given the recruitment challenges which are detailed further in section 2.01 of this report. The number of open cases increased to 5,958 at the end of July from 5,587 at the end of May. It is hoped that as the recruitment and training of new staff members progresses, the number of open cases will reduce.
1.05	Key performance indicators – Appendix 4 shows our performance against the KPIs measured on a monthly basis up to and including July 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. As can be seen, across three months and twelve months, there are several KPIs where the number of completed cases has increased and others that have reduced. Key points to note are: • Leavers - all leaver cases have been completed, and performance against the KPIs has improved compared to previous periods. As demonstrated by the drop in the number of cases completed, there have been fewer new leavers to process in the last quarter compared to previous months. 465 cases were processed, which is still a significant number of leavers in a 3-month period. • Transfers were on hold pending GAD guidance. Guidance has recently been received from GAD so processing has re-commenced. The reduction in numbers processed over the period reflects the pause in completions due to the outstanding GAD guidance. Work is now underway to catch up on those cases previously being held. • The key processes that previously caused some concerns, i.e. retirements, leavers and deaths have generally improved over the last quarter. Resource is constantly being reviewed in these areas as the staff members responsible for these areas are also responsible for recalculations relating to the retrospective pay

	awards. The numbers relating to recalculations due to pay awards are not included in the KPIs. 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 which apply to significant numbers of cases will continue to be difficult whilst new staff are recruited and then trained. Resourcing is considered further later in this report.

1.06	**Internal dispute resolution procedures (IDRP)** In relation to the cases for 2022/2023: - There were nine Stage One appeals against employers. Six have been rejected, one has been upheld and two are still ongoing. - Of the six that have been rejected, four relate to non-award of ill health retirement and two relate to the tier of ill health awarded - For the case that has been upheld, the member has now been awarded tier 1 ill health retirement - The two 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 was submitted against the employer. The member appealed the award of tier 2 ill health retirement. This appeal was rejected. In relation to cases for 2023/2024: - There are currently no Stage One appeals - There is one Stage Two appeal which has been submitted against the employer. The member has appealed that they were only awarded tier 2 ill health retirement.

	2022/2023			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	9	1	6	2
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
	2023/2024			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	0	0	0	0
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	1	0	0	1
Stage 2 - Against Administering Authority	0	0	0	0

	There are no Clwyd Pension Fund cases that are currently with the Pensions Ombudsman.
1.07	**Communications Strategy** The latest information in relation to communication is outlined below: The Technical and Communications teams have worked together to produce and upload a video to the Fund's website explaining the Annual Benefit Statement (ABS) for deferred members. It can be viewed here - https://mss.clwydpensionfund.org.uk/home/help/guidance-videos/ The ABS guidance video for active members will be uploaded for the deadline of issuing statements of 31 August.
1.08	The Communications Team has maintained regular engagement with employers and scheme members over recent months. Other key points in relation to communications include: • The date for the next Employer Engagement session has been agreed with a positive number of employers hoping to attend. • The website has been updated to include FAQs in relation to member strike breaks, the benefits of using MSS and the about us section. • Seventeen 1-2-1 member sessions have taken place and three training sessions with employers covering how to complete a leaver form, employer responsibilities and TUPE process. • Five emails have been sent to employers including information relating to online training modules, member benefit statement guidance and LGA bulletin updates.
1.9	Appendix 5 provides an updated summary of MSS registered users, which shows that enrolment to MSS has increased slightly with over 53% of the scheme membership now having registered. The number of members that have opted for paper correspondence has also increased slightly, equating to approximately 18% of the scheme membership. For members registered on MSS, use of the facilities within MSS continues to increase. During the three month reporting period: • 181 members have requested a retirement pack for their deferred benefit via MSS • 13,489 benefit projections have been calculated using MSS functionality • there have been 375 changes to members' expression of wish details, 391 address updates and 9 bank account changes.
1.10	**Delegated Responsibilities** The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegations have been used since the last Committee.

2.00	RESOURCE IMPLICATIONS
2.01	Since the last update, following the internal appointment of a new temporary Principal Pensions Officer and a Lead Pension Officer leaving the Fund, two Lead Pension Officer roles became vacant within the team. These roles are in addition to the Lead Pension Officer role that was approved under delegation. All three vacancies have been filled internally offering temporary secondment opportunities.

The above appointments resulted in 2.6 Full Time Equivalent (FTE) Pension Officer vacancies in addition to the existing 3.6 FTE vacancies already being managed by the team. After an external recruitment campaign only one Pension Officer vacancy has been filled out of a possible 6.2 FTE. The temporary nature of these roles is causing difficulties in terms of recruitment. All existing temporary staff members have an end date to their contract of 31 March 2024.

A separate paper has been provided to the Committee, in which a change to the current structure to assist with recruitment and retention difficulties is being proposed for approval.

As mentioned in previous updates, if recruitment to a Pension Officer grade is unsuccessful, it is proposed that any remaining vacant Pension Officer positions are recruited at the lower Pension Assistant grade. Although recruitment at this level is likely to be easier, it is recognised this will result in a greater level of training for the successful candidate(s).

Again, due to the significant recruitment of new staff members, training requirements will continue to be very labour intensive, so improvements in KPI performance will be over a number of months rather than immediately. Staffing levels will be continuously reviewed within the McCloud, ELT and Operations Teams. |

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	Appendix 6 provides the dashboard and the extract of administration and communication risks.

Since the June Committee, the dashboard has been reviewed and updated. An internal control in both Risk number one and three has been removed, "Benefit consultants available to assist if required" and replaced with "National Framework to be utilised if required". This change is in response to Mercer and Aptia, a new pension and benefits administration |

provider, having entered into an agreement for Aptia to acquire Mercer's UK pension administration services by the end of 2023.

All target dates have been reviewed and amended, if necessary, for example due to the ongoing uncertainty around the national pensions dashboard, impact of back-dated pay awards and the delivery of updated monthly employer performance reports.

The key risks which are furthest from target continue to be:
- 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.

5.00	APPENDICES
5.01	Appendix 1 – Business Plan Appendix 2 – McCloud Programme update report Appendix 3 – Analysis of cases received and completed Appendix 4 – Key Performance Indicators Appendix 5 – Member Self Service update Appendix 6 – Risk register update

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	- Report to Pension Fund Committee – Pension Administration Strategy (March 2021) - Report to Pension Fund Committee – Communications Strategy (June 2022) - Report to Pension Fund Committee - 2023/24 Business Plan (March 2023) **Contact Officer:** Karen Williams, Pensions Administration Manager **Telephone:** 01352 702963 **E-mail:** karen.williams@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(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

(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.

(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

(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.

(e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of.

(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.

(g) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.

(h) **DLUHC – Department of Levelling Up, Housing and Communities** – the government department responsible for the LGPS legislation.