FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CLWYD PENSION FUND COMMITTEE**

DATE: **22nd JULY 2014**

REPORT BY: **CHIEF OFFICER (PEOPLE AND RESOURCES)**

SUBJECT: **PENSION ADMINISTRATION AND COMMUNICATIONS UPDATE**

1.00 PURPOSE OF REPORT

1.01 The purpose of this report is to enable the Committee to monitor the performance of the pension administration service including providing updates on
- progress of administration and communication matters against the Service Plan for 2014/15,
- progress against the Fund's Communications Policy,
- new and leaving employers and bulk transfers, and
- delegated functions.

The report also highlights any additional unplanned or unexpected areas, as well as any other material administration or communication matters.

2.00 BACKGROUND

2.01 The Fund's day to day administration service is provided by the Pension Administration Section which consists of a total of 20 Full Time Equivalent (FTEs) members of staff including a Pension Administration Manager (Helen Burnham). It is split between an Operational Team and a Technical Team, and is separate from the Accounting and Investment Team.

2.02 The Operational Team of 13 FTEs delivers a pensions service for approximately 35,000 scheme members and 28 employing bodies. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team of 6 FTEs implements and maintains the pension software systems, reconciles employer records, provides a communication service for members and employers and a pensioner payroll service for 10,000 pensioners and dependents

2.03 The Council's Constitution outlines the role of the Committee and this includes the following matters relating to administration of the Fund:
- Ensuring the Fund is managed and pension payments are made in compliance with the appropriate legislation,
- Making decisions relating to employers joining and leaving the Fund,
- Agreeing the terms and payment of bulk transfers into and out of the Fund.
- Monitoring implementation of policies and strategies,
- Monitoring progress against the Fund's business plans, and
- Receiving reports in relation to delegated functions.

2.04   The Pension Fund Committee has been asked to approve the Fund's 2014/15 Service Plan and agree delegated functions as part of separate reports to this meeting. In relation to pensions administration the only key strategy that has already been approved is the Communication Strategy.

3.00   UPDATE AGAINST SERVICE PLAN

3.01   In this section we provide an update against the Fund's annual Service Plan split into two key areas:
- Part 1 – Projects and improvements
- Part 2 – Performance measurements against day to day tasks

Part 1 - Projects and Improvements

3.02   Appendix A provides a dashboard of progress against the one-off projects and improvements planned for 2014/15, as well as "business as usual" project based tasks. Further explanation on some of these matters is included below, with a cross reference to Appendix A shown in brackets.

New CARE Scheme Implementation (1)

3.03   The new CARE scheme commenced from 1st April 2014. Some of the Regulations were received very late from the Government which means that software suppliers have not been able to update systems. Hence, much manual intervention is currently required by pension administration officers across the 89 LGPS administering authorities.

3.04   Although this is being managed by the administration team there will inevitably be some impact on the service provided to employers and scheme members. Employers and those members concerned have been informed of these difficulties to manage expectations and reputational risk

Reduce Backlog of Tasks (2)

3.05   An improvement within the Service Plan is to improve historic membership data by removing a backlog of tasks. The number of cases has reduced from 2961 to 1738 over a period of 12 months. Additional resource has now been secured until May 2015 to complete these outstanding cases and administration officers are working closely with employers. There has been some turnover in the team which has hindered progress until replacements are appointed and trained. The outstanding backlog relates to more complex calculations and therefore will take longer to complete. Due to the issues with the implementation of LGPS 2014 current workload has been prioritised which again will slow down progress with the backlog. Management will continue to monitor progress with a view to re-evaluating the timeframe and will update the Committee of the any revised timescale at the next meeting.

Pensions Administration Strategy (PAS) (3)

3.06   The development of a PAS is part of the Fund's improvement plan. This will include service standards for the administration section and employers. As part of this project the team has reviewed all tasks and are leading on a service standard collaboration across the 8 welsh pension funds. Only a small number of the 89 funds have such a strategy (which is optional in the regulations), albeit many are now developing their strategy.

3.07 Currently the focus must be on the new Scheme and reducing the existing backlog, but work is planned with assistance from the Independent Adviser early next year. The results of this project will then be brought to Committee.

Disaster Recovery - Pension Software Systems (4)

3.08 The pension systems are provided by Heywood's and includes a package of integrated systems, called Altair, which includes:

- Image (which enables all member records and documents to be held electronically)
- Task Management (which enables to management of workflow)
- Pensioner Payroll
- iconnect (an interface between employer payroll and pension systems)
- Atmos (informs the pension fund of member deaths)

3.09 In terms of the Service Plan for quarter one, the testing of the disaster recovery of these systems is included and was raised in an internal audit report. Pension officers are working with ICT to complete by the end of July 2014.

Data Quality (5)

3.10 An improvement on the Service Plan is to continue to improve data quality received from the employers. A key element of this is the implementation of iconnect which is a system to interface between employer payroll systems and pension systems and should improve data quality at source. We are working with employers on the timing of implementation. Initially, a lot of data cleansing and data mismatching will need to be resolved and a business case for additional resource within Pensions Administration to assist with this was agreed at the last Pension Panel. Hopefully, progress will be made in the autumn.

Pensioner Payroll – Pensions Increase Letters and P60s (6)

3.11 The service has been provided in line with the Service Plan which included this quarter providing pensioner members with pension increase letters and P60s. The current pensioner payroll is 11,908 including Teachers Compensation payments

<u>Part 2 - Performance measurements against day to day tasks</u>

Workflow

3.12 Despite the difficulties created by the new scheme the workflow is being managed by the operational team. The table below illustrates the number of cases completed during the first quarter compared to the same period of last year.

Case	Q1. 2013	Q1. 2014
Retirements	155	201
Deaths	98	82
Transfers In	40	22
Transfers Out	20	20
Estimates	76	76
Deferreds	101	394

Performance targets are being developed alongside service standards as mentioned in 3.06 and these will be reported to the Committee at a later date.

The latest membership figures compared to the same quarter last year are:

Status	Q1. 2013	Q1. 2014
Active	15,045	15,738
Undecided Leaver	3,404	3,065
Deferred	7,648	8,600
Pensioner	8,471	8,930
Spouse/Dependants	1,526	1,557
Frozen	880	821
Opt Outs	62	529
Total	37,036	39,240

There are 12 members who are currently in the 50:50 scheme.

There are no matters to report on the Councillors scheme. The membership numbers are shown below:

Status	30 June 2014
Active	54
Undecided Leaver	2
Deferred	10
Pensioner & Spouse/Dependants	24
Total	90

Internal Dispute Resolution Procedures

3.13   Monitoring complaints is a useful method of identifying any specific issues. The LGPS Regulations require an administering authority to have an Internal Dispute Resolution Procedure (IDRP). This is a two stage process. Stage 1 is handled by a specified person that has been appointed by the Clwyd Pension Fund. This is Yunus Gaiji who is the Development Manager (Strategic) at the West Yorkshire Pension Fund. If a member is unhappy with the explanation provided after Stage 1, Stage 2 is handled by an appointed officer from Flintshire County Council who has had no previous involvement with the case. The appointed officer is the Democracy and Governance Manager. If the member is still not satisfied they can then contact the Pensions Ombudsman. The Pensions Advisory Service can give help to the member throughout the process.

3.14   Administration Officers are successful in resolving most disputes before this formal process starts but currently there are three at stage 1, but none at Stage 2 or with the Pensions Ombudsman.

4.00   DELIVERY OF COMMUNICATIONS POLICY

4.01   As required by LGPS regulation the Fund publishes a Communication Policy Statement which was agreed with the former Pension Fund Panel. This is included in Appendix B. The Strategy on how the Fund communicates with its various stakeholders is reviewed annually and will be brought to Committee next year for discussion and approval.

4.02   The service provided in the first quarter is in line with the Service Plan. The Communication Officer has provided the following services in quarter one:
  - 13 One to One sessions to 155 individual members of numerous employers
  - 5 New Scheme Presentations to 92 members
  - 3 Pre-Retirement Courses to 79 members
  - 2 Redundancy Presentations to 26 members
  - Employer Training & New Scheme Presentation to 2 Employers

4.03   The following communications have been distributed or worked in quarter one:
  - Penpal (Newsletter for Active Members) issued in March 2014.
  - Clwyd Catch Up (Newsletter for Pensioner Members) which was distributed with Pension Increase letters in April 2014
  - Deferred Benefit Statements issued June 2014
  - Service Level Agreements with employers (Draft)
  - Reviewed/Rewritten all internal forms/letters due to New Scheme

Copies of Penpal and Clywd Catch Up are enclosed for information. (Appendix C and D)

5.00   NEW/LEAVING EMPLOYERS AND BULK TRANSFERS

New/leaving Employers
5.01   There is one new potential admission body into the scheme which is currently being discussed with the relevant employer and actuary. This relates to the creation of a new company.

Bulk Transfers
5.02   There are no current or planned bulk transfers in or out of the Fund

6.00   UPDATE ON DELEGATED FUNCTIONS

6.01   There are no delegated functions as of yet. Updates will be provided as required at future Pension Fund Committee meetings.

7.00 <u>OTHER MATTERS</u>

Life certificates

7.01 The purpose of this project during 2013/14 was to identify any potential benefit fraud. Each life certificate returned enabled the pension section to determine whether the member is still alive and use the information provided on the certificate to update any personal information and power of attorney details. In total 10319 life certificates were issued to our pensioners in April 2013.

7.02 The former Pension Panel were provided with updates as the project progressed. Currently, there are 17 pension payments which have been suspended until such time as the pensioner member contacts the Fund. Although many steps have already been taken to contact the pensioner member, including contacting their bank and the Department of Work and Pensions, management will consider any further steps.

8.00 <u>RECOMMENDATIONS</u>

8.01 That Committee Members note the report.

9.00 <u>FINANCIAL IMPLICATIONS</u>

9.01 None directly as a result of this report.

10.00 <u>ANTIPOVERTY IMPACT</u>

10.01 None directly as a result of this report.

11.00 <u>ENVIRONMENTAL IMPACT</u>

11.01 None directly as a result of this report.

12.00 <u>EQUALITIES IMPACT</u>

12.01 None directly as a result of this report.

13.00 <u>PERSONNEL IMPLICATIONS</u>

13.01 None directly as a result of this report

14.00 <u>CONSULTATION REQUIRED</u>

14.01 None directly as a result of this report.

15.00 <u>CONSULTATION UNDERTAKEN</u>

15.01 None directly as a result of this report.

16.00 <u>APPENDICES</u>

16.01 Service Plan Progress
16.02 Communications Policy
16.03 Penpal
16.04 Clwyd Catch Up

_____

<u>LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</u>

Background Papers: None

Contact Officer: Helen Burnham, Pensions Administration Manager
                          Tel: 01352 702872
                          Fax:01352 702836
                          e-mail: helen.burnham@flintshire.gov.uk