

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 7 October 2020
Report Subject	Administration and Communications Update
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

An administration and communications update is on each quarterly Committee agenda and includes a number of administration and communications related items for information or discussion. The last update report was provided at the February 2020 and therefore this update report includes matters since that date.

This update includes matters that are mainly for noting, albeit comments are clearly welcome. The only matter for approval is changes to some of the timescales relating to business plan items (some of which are due to delays or changes in guidance or regulations at a national level).

The report includes updates on:

- Current Developments and News – this includes updates relating to the annual pensions increase and annual benefit statement exercises, and also the latest data quality scores for the Fund
- Day to day tasks and key performance indicators – showing the position to end of August 2020
- Communications – Engagement sessions held with employers and scheme members, and statistics showing the continuing increase in scheme members using the Fund's Member Self-Service (MSS) facility
- Update to the Fund's risk dashboard and changes to the administration and communications risks since the last meeting.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee approve the extension of the timescales in relation to a number of actions within the Business Plan as outlined in paragraph 1.01.

REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS
1.01	<p data-bbox="320 257 783 293">Business Plan 2020/21 Update</p> <p data-bbox="320 331 1334 443">Progress against the business plan items for quarter two of this year is slightly behind in some areas as illustrated in Appendix 1. Key items to note relating to this quarter's work are as follows:</p> <ul data-bbox="320 481 1385 2069" style="list-style-type: none"><li data-bbox="320 481 1385 1099">• A1 Implement Survivor Benefit Changes – This is as a result of the changes to the regulations in respect of the calculation of and entitlement to surviving partner pensions in respect of Civil Partners or same sex marriages and the outcome of Elmes versus Essex High Court Ruling. Deceased members who may have a surviving partner entitled to a benefit under the new rulings have been identified. Processes and letters have been drafted and we are currently awaiting further guidance from the LGA on how to proceed with these cases. A further case, Goodwin versus the Department for Education, has highlighted that previous changes to regulation may now lead to further discrimination within the Teachers' Pension Scheme and other public service pension schemes (including the LGPS). It is expected that a consultation on the potential Regulatory changes will take place shortly. This work is therefore greater than originally envisaged and is now expected to continue from now through to 2021/22 whilst awaiting further information in relation to the existing cases and the new Goodwin case.<li data-bbox="320 1108 1385 1473">• A2 GMP Reconciliation – This exercise was outsourced to Equiniti and has continued to progress well despite the recent challenges. The rectification part of the exercise is now nearing completion with the bulk of the letters having been sent to the affected members informing them of the amendments to their pension benefits later this month. The administration system is also being updated to reflect the correct member information following the reconciliation exercise. Any remaining amendments will be actioned in November bringing the exercise to a successful end. As yet one member has requested an IDR pack.<li data-bbox="320 1482 1385 1809">• A3 i-Connect – Good progress is being made towards having all employers on-board and submitting active member data electronically every month. The on-boarding exercise for both Wrexham CBC and Coleg Cambria took longer than expected as an extensive data cleansing exercise was required. Both employers are now using i-Connect bringing the total number of active scheme membership updated monthly to 96% (approximately 16,200 members). An extension into Q4 is required to allow sufficient time to data cleanse and on-board the remaining employers.<li data-bbox="320 1818 1385 2069">• A7 Efficiency improvements for existing processes – This exercise was intended to identify any efficiencies that could be made to our existing processes focusing on a number of key areas. This exercise is progressing well with enhancements to Member Self Service (MSS) to improve experience and processes for both the member and staff due to the recent challenges that Covid-19 has brought. This exercise will continue through the year in-line with current timescales.

	<ul style="list-style-type: none"> • A8 McCloud and Cost Cap – The McCloud programme is now taking place and this is covered in a separate report. • A17a Other Expected National Changes – £95k cap – As highlighted in the business plan, there were a number of other expected national changes but the timescales were unknown. One of these, the introduction of a £95k cap, is now progressing. This is a fundamental change in legislation which could impact the pension and redundancy benefits paid to scheme members who are made redundant or retired on business efficiency grounds, by capping the total value of their early leavers payments (including any strain on the fund payment) to £95k. It is hoped that some or all of these changes won't apply to Wales but this is still being clarified. Some of the legislative changes are expected to be introduced later in October. The business plan will be updated with a separate item in relation to this and it is expected that this will need action during Q3 and Q4 of 2020/21.
1.02	<p>The Committee is asked to approve the inclusion of the £95k cap explicitly within the business plan and an extension for the completion of the following</p> <ol style="list-style-type: none"> 1. calculation of survivor benefits 2. on-boarding of remaining employers onto i-Connect.
1.03	<p>Current Developments and News</p> <p>The following details additional developments and news that are not covered in the Business Plan section:</p> <ul style="list-style-type: none"> • The Technical and Payroll team have successfully completed both the Pension Increase exercise (April) and Year End exercise (May-August) incorporating the provision of Pension Increase letters and Annual Benefit Statements to all relevant members via their preferred communication method within regulatory timeframes. • The administration team have collectively completed the data improvement plan for 2019/20 in readiness for the annual review of common and scheme specific data for all pension schemes by the Pension Regulator (tPR). In addition to measuring and capturing the above data, the Fund also developed a data improvement plan to capture any other elements of data that was considered to be inaccurate. The time and effort that has been dedicated to the successful completion of the improvement plan has led to improved tPR scores in both areas. The Fund's common data score has increased from 96.8% to 97.4% and the scheme specific score has increased from 92.7% to 97.2%. Work will now commence on the data improvement plan for 2020/21, which will consider any gaps in these data scores, in preparation for the next annual review. The Committee should note that some of the data gaps do not have an impact on benefits or processes and so they will not be resolved for efficiency reasons. Therefore a score of 100% will not be possible. • The Pension Administration Manager has continued to attend meetings with fellow Pension Administration Managers and Industry Specialists. The main agenda items for these meetings include the well-being and productivity of staff members during the current working from home conditions and the impact that the McCloud ruling will have upon administration.

- The pension administration software framework was launched in April for LGPS Funds to use. The Pension Administration Manager attended three engagement sessions in August with software providers in preparation for the procurement process that the Fund will undertake later in the year in line with the business plan.
- The Pension Administration Manager continues to attend regular steering group meetings to assist with the development of the National Pensions Dashboard. The Pensions Dashboard is a Government initiative first announced in the 2016 Budget. The idea behind the Dashboard is to allow all pension savers in the UK access to view the values of all of their pension pots, including state pension, through one central platform. It is anticipated that the progress of the Dashboard may be impacted due to the impact the McCloud ruling will have on pension schemes.

Policy and Strategy Implementation and Monitoring

1.04

Administration Strategy

The latest monitoring information in relation to administration is outlined below:

- Day to day tasks – Appendix 2 provides the analysis of the numbers of cases received and completed on a monthly basis to August 2020 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 had dropped in March but recovered well April through to July. Most staff members took some annual leave in August which resulted in a slight drop in completed cases. That in conjunction with the staffing challenges (detailed below) has resulted in the number of remaining cases increasing slightly. The focus now will be the training of new staff, this will improve the time taken to complete cases thus having a positive impact on the overall number of cases being completed. This is not an area for concern but one that continues to be monitored by the Pension Administration Manager and Principal Pension Officers.
- Key performance indicators – Appendix 3 shows our performance against the key performance indicators that are measured on a monthly basis up to August 2020. The charts illustrate that there has been fluctuation in performance recently. This is as a result of a number of factors:
 - the transition of four key staff members in June to the McCloud team and the subsequent recruitment to backfill the vacant posts
 - training requirements of new staff members in a virtual environment
 - the transition to home working at the end of March
 - the increased volume of work that traditionally happens during those months (pension increase, year end and ABS production)
 - delays in receiving information from members and employers during the lock down period
 - staff utilising their annual leave entitlement during the summer months.
- As training of the new staff members continue, the performance against KPI targets may continue to fluctuate. Focus continues on improving the legal requirements timescales with particular focus on informing the

employer if they have achieved/not achieved the agreed timescales as stipulated in their SLA.

1.05 *Internal dispute resolution procedures*

In relation to the cases outstanding for 2019/2020:

- There are five Stage One appeals against the employer for non-award of ill health benefits, three Stage One appeals against the employer for the tier of ill health retirement that was awarded, and one Stage One appeal against the employer regarding their process for determining non-award of flexible retirement. Of these nine appeals, one has been upheld, five have been rejected, and three are ongoing.
- There are two Stage One appeals against Clwyd Pension Fund. One is regarding the process we used to determine who should be the beneficiary of a death grant for one of our deceased members, and the other is regarding the process we used to transfer out a member's LGPS benefits to another pension provider. Both appeals have been rejected.
- There is one Stage Two appeal against the employer. This appeal is based on the fact that the member was not awarded ill health retirement. The appeal has been rejected.
- There are no Stage Two appeals against Clwyd Pension Fund for 2019/2020.

In relation to the cases outstanding for 2020/2021:

- There have been no Stage One appeals submitted against either the employer or the Clwyd Pension Fund during 2020/2021.
- There is one Stage Two appeal against the employer regarding the tier of ill health retirement that was awarded by the employer. This appeal is currently ongoing.

	2019/20			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	9	1	5	3
Stage 1 - Against Administering Authority	2		2	
Stage 2 - Against Employers	1		1	
Stage 2 - Against Administering Authority	0			
	2020/21			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	0			
Stage 1 - Against Administering Authority	0			
Stage 2 - Against Employers	1			1
Stage 2 - Against Administering Authority	0			

There are no CPF cases that are currently with the Pensions Ombudsman.

1.06 *Communications Strategy*

The Communications Team has increased engagement with employers during recent months and has provided the following communications since the last update:

	<ul style="list-style-type: none"> • Twenty-three emails have been sent to all employers providing information in relation to McCloud, contribution bandings, Covid-19 FAQs and LGA employer training webinars. • The Clwyd Catch Up was issued to all Pensioner and Dependant members in April. • Letters to affected members were issued in relation to the Equitable Life to Utmost Life transition regarding investment options. • Discussions with employers to discuss TUPE transfer process have taken place along with some individual on-line employer training sessions.
1.07	<p>Other key points in relation to communications include:</p> <ul style="list-style-type: none"> • CPF and FCC are working together to complete a website audit using the company Siteimprove. The audit will be to ensure compliance with new legislative accessibility requirements. Siteimprove was appointed using normal procurement procedures. • The 1-2-1 sessions that are offered to members as part of the Annual Benefit Statement communication are currently being coordinated with employers. All sessions will be held remotely this year. • A Good Governance webinar and a Contracts Course have also been attended by the Communications team.
1.08	<p>Appendix 4 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 780 members since February with 35% of members now registered to use this on-line facility. A recent upgrade to functionality means that deferred members can request an estimate by the click of a button eliminating the need for a written/email request. This is a more efficient and user-friendly process. The benefit projector continues to be a very popular function with 21,541 benefit projections having been calculated by members in this last period. There have also been 613 changes to member's Expression of Wish details. It is pleasing to see the increased engagement and interest in pensions that members are having.</p>
1.09	<p>Delegated Responsibilities</p> <p>The following have been agreed using delegated responsibilities since the last committee meeting and further details are contained in Appendices 5 and 6.</p> <ul style="list-style-type: none"> • Approval of the Principles Document in respect of the rectification and treatment of Fund member benefits in relation to the GMP reconciliation project. • Approval of the Principles Document, CPF Roles and Responsibilities and an increase of budget all in relation to the McCloud Programme.

2.00	RESOURCE IMPLICATIONS
2.01	<p>Following a full analysis of the additional resource required for the successful completion of the McCloud Programme, it was decided that a distinct McCloud team was needed to enable allocation of work and not dilute business as usual workload. To facilitate this, four staff members from the Operations Team transitioned across in June and July and their positions have been back-filled by either internal secondment opportunities or external appointment.</p> <p>Staffing levels will be continuously reviewed within the McCloud and Administration teams, and consideration given in relation to potential peaks in workload as the McCloud Programme progresses.</p> <p>Recruitment is underway for two additional posts within the Technical and Payroll Team to ensure adequate resource for the additional workload in relation to Pensioner Payroll, i-Connect, MSS and CPF website.</p>

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 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. Increased engagement with employers has kept the risk likelihood low, but external factors such as working from home and McCloud means the impact is still a marginal risk, • The Fund not meeting legal and performance expectations due to external factors such as unexpected work increases due to regulation changes. The impact of McCloud and other potential remedial regulation changes, such as Goodwin versus the Department of Education case, current risk levels remain very high. • High administration costs and/or errors. Service provision is interrupted: systems are not kept up to date or not utilised appropriately. This risk relates in particular to the performance of the software. Although Heywood (software supplier) have recently been appointed to a national framework providing long term contracts which has given confidence in their commitment going forward and reduced risk in some areas, it is their ability to respond to regulation changes such as McCloud that now causes a potential risk as the system may not be utilised as expected for a period of time.
4.02	Since the last update, the following risks have been updated, showing where outstanding actions have now been completed and new actions to be completed:

	<ul style="list-style-type: none"> • Risk number 1 - Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues: there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades (including due to Covid-19). The current likelihood of this happening has been increased from low to significant. This is because of the uncertainty around Covid-19 related absences amongst staff members. • Risk number 2 – unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues: employers don't understand or meet their responsibilities and also don't allocate sufficient resources to pension matters. The current likelihood of this happening has been reduced from significant to low and the impact has been changed from critical to marginal. This is as a result of 96% of membership now being updated via i-Connect. The majority of employers are now therefore supplying their member data in a more accurate and timely manner reducing the risk of poor data. • Risk number 4 – scheme members do not understand or appreciate their benefits, including as a result of inaccurate, poor or insufficient communications. The controls have been amended to correctly reflect the new Business Plan. A separate review and update of the website during 2020/21 and a further review of all communication methods (website, MSS and i-Connect) will allow better monitoring and a thorough risk assessment going forward. • Risk number 5 - high administration costs and/or errors, including utilisation and efficiency of processes and systems. The current impact has reduced from Catastrophic to Negligible, and the impact from Significant to Low. This is to reflect the increased number of employers utilising i-Connect and Heywood now being part of the national framework, giving confidence about future availability and security. The internal controls have been amended to incorporate the changes to risk number 4 and increased engagement with Heywood about their McCloud solutions. Furthermore additional actions have been added to review the structure of the Technical Team ensuring adequate resource to fulfil its support role and to identify the need for alternative ways of working if Altair is not updated in a timely manner for regulatory changes. • Risk number 6 – Service provision is interrupted due to system failure or unavailability, including as a result of cybercrime or Covid-19. The likelihood has moved from Very Low to Low, to reflect the additional risk and uncertainty around Covid-19 which could result in increased staff absences with our system providers.
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5.00	APPENDICES
5.01	Appendix 1 – Business Plan update 2020/21 Appendix 2 – Analysis of cases received and completed Appendix 3 – Key Performance Indicators Appendix 4 – Member Self Service update Appendix 5 – Delegated Responsibilities – GMP rectification Appendix 6 – Delegated Responsibilities – McCloud programme Appendix 7 – Risk register update

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 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> <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>