



CLWYD PENSION FUND COMMITTEE

| | |
|------------------------|---|
| Date of Meeting | Wednesday, 28 th November 2018 |
| Report Subject | Administration and Communications Update |
| Report Author | Principal Pensions Officer |

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 2018/19 update – this includes details of amendments to backlog and aggregation timescales and expected legislation changes.
- (b) Current Developments and News – this includes updates relating to training and data quality, including the score reported to the Pension Regulator. Also included are details regarding the recent Employer meeting.
- (c) Resource – an update on recruitment and staffing.

RECOMMENDATIONS

| | |
|---|---|
| 1 | That the Committee consider the update and provide any comments. |
| 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 |
|------|--|
| 1.01 | <p data-bbox="320 322 783 353">Business Plan 2018/19 Update</p> <p data-bbox="320 394 1394 501">Progress against the business plan items for quarter three 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="320 508 1394 2056" style="list-style-type: none"><li data-bbox="320 508 1394 797">• A4 & A5 Expanded Backlog and Aggregation Project – Mercer are continuing to work on these areas and are making good progress to remove the historical backlogs that exist. However progress may slow down due to additional work being undertaken as mentioned in the Part 2 paper. Please note, timescales in relation to A4 may need extending into 2019/20 on the Business Plan. This will be clearer by the next committee meeting. A separate update report is provided from Mercer in Appendix 2.<li data-bbox="320 804 1394 875">• A10 – LGPS Legal Timescales Analysis – given the current workloads it is proposed that this area of work is deferred until 2019/20.<li data-bbox="320 882 1394 1059">• A11 – National Pensions Dashboard – the Government announced in the Autumn Budget that funding has been allocated for 2019/20 to ensure this national project is delivered. We have therefore updated the timescales to 2019/20 and 2020/21 which is our latest estimate of when we may need to develop our systems to meet the new requirements.<li data-bbox="320 1066 1394 1243">• A16 – Other Expected National Changes – There are ongoing discussions regarding separation of funds from the administering authority. GMP equalisation and scheme changes due to the cost management process are now progressing as so they have been separated out as items A17 and A18 (see the next paragraphs).<li data-bbox="320 1249 1394 1615">• A17 – GMP Equalisation - As explained in the LGPS Update report, a recent high court judgement has been made on GMP equalisation. Even though there remains uncertainty on the impact of this on the LGPS, we have separated this project out (it was originally part of A16) given we expect some work to be carried out during 2019/20 and 2020/21. There is a risk that this could result in significant work for the administration team if recalculation of pensions already in payment is required. Regardless of that point, this is likely to result in additional costs to the fund due to increases in the indexation of pensions to remove the inequality between males and females.<li data-bbox="320 1621 1394 2056">• A18 – Scheme changes due to Cost Management Process – This was also part of A16 and has been separated out now more information has been announced. The LGPS Update explains that the cost management process will result in either a benefit improvement or contribution reduction for scheme members (or a combination of both). These will be effective from April 2019 albeit the details of the changes are still to be agreed. This is likely to result in a major communication exercise for the Administration Team advising scheme members and employers of the changes. It will also likely require changes to current processes and the administration system, Altair. The business plan has been updated to clarify this work is likely to be required during Q4 of 2018/19 and Q1 of 2019/20. |

| | |
|------|---|
| 1.02 | The Committee is asked to agree the changes outlined above relating to A10 and A11 as well as the new A17 and A18. |
| 1.03 | <p data-bbox="320 237 826 271">Current Developments and News</p> <p data-bbox="320 311 1390 490">A separate LGPS Update report has been provided by Mercer and 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 2018/19. The following includes some of these points as well as other developments and news:</p> <ul data-bbox="320 497 1390 2083" style="list-style-type: none"> <li data-bbox="320 497 1390 714">• Our Admission Agreement, which is the legal document that is signed when a new body applies to join the Fund, has been amended by Osborne Clarke, legal advisers, to ensure compliance with the 2018 amendment regulations. This has introduced areas such as the potential for a refund of surplus funds when an admission agreement ends. This updated version is now in use. <li data-bbox="320 721 1390 938">• The Pensions Regulator's autumn scheme return has been submitted and includes the data quality scores relating to common and scheme specific data analysis. The details of the scores can be found in Appendix 3. An action plan is being developed in relation to implementing any data cleansing that has been highlighted as a part of this exercise and this data cleansing is expected to improve the data scores for next year. <li data-bbox="320 945 1390 1274">• In preparation for the 2019 valuation, Mercer recently completed a data quality check and has provided us with the results at a high level. Priority areas have been identified and there are numerous action points for the administration team and employers to consider. Some work has already commenced on these areas within the administration team. A more detailed report has been requested from Mercer to enable identification of mismatches of data at member level. A communication will then be issued to the relevant employers detailing any specific actions required by them to improve the data they provide. <li data-bbox="320 1281 1390 1498">• Following the Budget announcement in October, transfer calculations have been put on hold due to the change in the SCAPE rate (the discount rate used by GAD). GAD has just issued the new updated factors and we are now waiting for these to be updated in our Altair software. Once this has been done an exercise will commence to calculate the transfer requests that were put on hold. <li data-bbox="320 1505 1390 1789">• After attending the most recent technical user group, it has been decided that we will partake in the Testing Working Party (TWP) for the next release of Altair (9.1). This involves thorough testing of the release in preparation for the rollout to all funds. This will be intense testing for a one month period following an initial introductory day in December. Advantages include early insight into the content of the release with opportunity to influence change. An assigned specialist from Aquila Heywood will assist with queries. <li data-bbox="320 1796 1390 1861">• Training will commence shortly in preparation for the introduction of the Welsh rate of Income Tax from April 2019. <li data-bbox="320 1868 1390 1933">• Further TUPE transfers are expected. Discussions with employers regarding action plans are underway. <li data-bbox="320 1939 1390 2083">• It has been announced that Equiniti has bought the Aquila element of the firm Aquila Heywood who provides our software Altair. We understand that our services will be provided by the part of the firm that is not being merged with Equiniti which will be known as Heywood. |

| | |
|------|---|
| | <p>Given our administration services are almost completely reliant on Altair this could be a critical change for us. We are working with Aquila Heywood to better understand the impact of this change on their structure albeit we have received initial assurance that services should not be impacted.</p> |
| 1.04 | <p><i>Employer Meeting</i></p> <p>We hosted our annual Employer Meeting on 6th November which covered various topics and highlighted current challenges facing the Administration Section and how these impacted the relationship with the employers. The Principal Pensions Officers presented an insight into the “Day in the life of Pensions Administration”. This focused on how expectations, accountability and transparency of our performance is now prevalent to the day to day running of the Administration Section. Mercer presented on the importance of timely and accurate data being received from employers.</p> <p>Positive feedback regarding the presentations was received from attendees. A programme of employer engagement sessions will now follow.</p> |
| 1.05 | <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> <ul style="list-style-type: none"> • Day to day tasks – Appendix 4 provides the analysis of the numbers of tasks received and completed on a monthly basis since April 2015 as well as how this is split in relation to our three unitary authorities and all other employers. For the first time this year, in October, the number of outstanding cases reduced. This was due to the highest number of cases completed in any one month to date. <p>There continues to be a high volume of workflow, resulting from projects such as the implementation of iConnect, the additional data quality project from Mercers and preparing a Data Improvement Plan for TPR.</p> <ul style="list-style-type: none"> • Key performance indicators – Appendix 5 shows our performance against the key performance indicators that are measured on a monthly basis up to October 2018. The chart continues to illustrate that we are not managing to meet most of the agreed standards. However, we are pleased to note that the number of cases completed and the percentages achieved have increased for October. In addition 110 new retirement benefits were processed and paid. We hope to see further improvements across the KPIs in the coming months following the recent appointments of staff. However the additional work relating to Project Apple (as explained in the Part 2 report) will likely have a temporary negative impact on some of the KPIs. <p>The Principal Pensions Officers are continuing to undertake additional duties whilst ensuring the section performs during the on-going absence of the Pensions Administration Manager. This includes involvement in LGPS Framework plans, attending Pension Manager meetings, liaising with legal specialists in relation to Admission Agreements and presenting at the Employer Meeting.</p> |
| 1.06 | <p><i>Internal dispute resolution procedures</i></p> <p>The outstanding cases for 2017/18 are still ongoing.</p> |

| | <p>In relation to the cases received so far this year (2018/19):</p> <ul style="list-style-type: none">• there are five Stage One appeals which are all currently ongoing against the employer. These are all in respect of the non-award of ill health benefits.• there are two Stage One appeals against the Administering Authority which are being considered. One is due to an overstated estimate of benefits which was as a result of an incorrectly recorded period of time in the Scheme. The second appeal is against the award of a deferred benefit rather than a refund of contributions which the member was expecting.• The Stage 2 ongoing appeal has been referred back to the employer to be reconsidered. <table><tr><td></td><th colspan="4">2018/19</th></tr><tr><td></td><th>Received</th><th>Upheld</th><th>Rejected</th><th>Ongoing</th></tr><tr><td>Stage 1 - Against Employers</td><td>5</td><td></td><td></td><td>5</td></tr><tr><td>Stage 1 - Against Administering Authority</td><td>2</td><td></td><td></td><td>2</td></tr><tr><td>Stage 2 - Against Employers</td><td>3</td><td>2</td><td></td><td>1</td></tr><tr><td>Stage 2 - Against Administering Authority</td><td></td><td></td><td></td><td></td></tr></table> <table><tr><td></td><th colspan="4">2017/18</th></tr><tr><td></td><th>Received</th><th>Upheld</th><th>Rejected</th><th>Ongoing</th></tr><tr><td>Stage 1 - Against Employers</td><td>13</td><td>2</td><td>9</td><td>2</td></tr><tr><td>Stage 1 - Against Administering Authority</td><td>1</td><td></td><td>1</td><td></td></tr><tr><td>Stage 2 - Against Employers</td><td>4</td><td>2</td><td>1</td><td>1</td></tr><tr><td>Stage 2 - Against Administering Authority</td><td>1</td><td></td><td>1</td><td></td></tr></table> | | 2018/19 | | | | | Received | Upheld | Rejected | Ongoing | Stage 1 - Against Employers | 5 | | | 5 | Stage 1 - Against Administering Authority | 2 | | | 2 | Stage 2 - Against Employers | 3 | 2 | | 1 | Stage 2 - Against Administering Authority | | | | | | 2017/18 | | | | | Received | Upheld | Rejected | Ongoing | Stage 1 - Against Employers | 13 | 2 | 9 | 2 | Stage 1 - Against Administering Authority | 1 | | 1 | | Stage 2 - Against Employers | 4 | 2 | 1 | 1 | Stage 2 - Against Administering Authority | 1 | | 1 | |
|---|--|--------|----------|---------|--|--|--|----------|--------|----------|---------|-----------------------------|---|--|--|---|---|---|--|--|---|-----------------------------|---|---|--|---|---|--|--|--|--|--|---------|--|--|--|--|----------|--------|----------|---------|-----------------------------|----|---|---|---|---|---|--|---|--|-----------------------------|---|---|---|---|---|---|--|---|--|
| | 2018/19 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Received | Upheld | Rejected | Ongoing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 1 - Against Employers | 5 | | | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 1 - Against Administering Authority | 2 | | | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 2 - Against Employers | 3 | 2 | | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 2 - Against Administering Authority | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2017/18 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Received | Upheld | Rejected | Ongoing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 1 - Against Employers | 13 | 2 | 9 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 1 - Against Administering Authority | 1 | | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 2 - Against Employers | 4 | 2 | 1 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 2 - Against Administering Authority | 1 | | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.07 | <p><i>Communications Strategy</i></p> <p>The Communication Officer has provided the following services since the last update:</p> <ul style="list-style-type: none">• Eight TUPE transfer presentations to both NEWydd and Aura employees, explaining the process and answering any questions.• Two day visits to Alltami Depot following a request from Flintshire County Council, Street scene department, to promote MSS and also answer any employee queries on a one to one basis. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.08 | <p>The following communications have been distributed during this period:</p> <ul style="list-style-type: none">• Invitations to all employers were sent regarding the AJCM• Annual Benefit Statements sent to eligible active members detailing their pension entitlement• Deferred Benefit Statements sent to eligible deferred members detailing their pension entitlement <p>Apart from the scheme members who may be impacted by Project Apple, all benefit statements were again issued by the statutory deadline of 31 August. Statements are now produced on Member Self Service (MSS) unless a scheme member has opted out of electronic communications. All members who have not opted out of electronic communications and are registered on MSS are sent an email advising them that their statement has been uploaded. However there are still a large proportion of members who havenot registered for MSS (as can be seen from Appendix 6) so it is important for us to continue to encourage MSS take-up.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | |
|------|--|
| | <p>We participated in a conference call regarding the viability of a MSS User Group. The aim of the group being to collate knowledge, discuss ideas for best practice and discuss ways of increasing membership and enhancing in-house processes. A further webinar is planned with dates to be confirmed.</p> <p>We also participated in a “Video Project” conference call alongside the LGA and other funds following numerous Regional Communications Group meetings to discuss the possibility of producing member videos outlining specific topics of interest. We are currently awaiting estimates from external parties to design and produce visuals and narratives.</p> <p>The Employer Meeting was held on 6th November and consisted of the following speakers: Mercer, Principal Pension Officers, Prudential,</p> |
| 1.09 | <p>The updated information concerning Member Self Service is shown in Appendix 6 and this illustrates enrolment to Member Self Service continues to grow. It has increased by over 600 members since the last meeting with over 34% of active members now registered to use this on-line facility.</p> |
| 1.10 | <p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals.</p> <p>The key item that has been decided under delegations is the approval of one additional Principal Pensions Officer and one additional Pension Officer within the Administration Team as a result of a business case that was developed due to the ongoing increases in amount and complexity of the work. This results in an additional staffing cost of £69,612 per annum including on-costs. This was approved using the delegations that were agreed at the June 2018 Committee. These extra posts are in addition to the three new posts agreed under delegated powers earlier in 2018/19 at a cost of £91,944 including on-costs, and making 8.7 temporary posts permanent, all of which was reported at the June 2018 Committee meeting. Further comment on the impact of this is included in paragraph 2.01.</p> <p>No other delegations have been used since the last Committee meeting.</p> |

| | |
|-------------|--|
| 2.00 | RESOURCE |
| 2.01 | <p>Good progress is being made in the review of staff resources as a result of the business case that was developed earlier in the year. We have successfully recruited two Lead Officers and a Pension Officer, who are now in position. Following the recent agreement to recruit an additional Principal Pensions Officer, interviews are due to take place the end of November. This post will be responsible for technical matters (e.g. compliance with regulations) and delivering our communications strategy, both of which now merit a dedicated person given the complexity of the scheme and our focus</p> |

| | |
|--|--|
| | <p>on improving communications particularly via on-line facilities.</p> <p>In addition, the position of Communications Officer has become vacant due to the internal appointment to one of the above mentioned Lead Officer posts. This post is currently being advertised with interviews due by mid-December. Once these posts are filled, we will have successfully appointed to the five new approved posts. Staffing levels will be continuously reviewed to measure the impact of the new team members on our workloads but given how quickly we have been able to recruit to most of the roles, we are confident that we will notice a positive impact by the spring of 2019.</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, and • Poorly trained or insufficient staff numbers which could lead to us being unable to meet our legal or performance expectations – this will remain a risk while recruitment continues and new team members undergo training. |
| 4.02 | <p>Since the last update, the following risks have been updated:</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 controls and actions have been updated to reflect the increasing staffing levels. The risk scores will remain unchanged until the impact of the changes is better understood. • 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. Although the impact and likelihood scores have remained unchanged, a further control and a further action have been added to reflect the additional data quality work that is being undertaken and is planned. • 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. The actions have been updated to reflect the increasing staffing levels. The risk scores will remain unchanged until the impact of the changes is better understood. • Risk number 5 - the Fund's objectives/legal responsibilities are not met or are compromised due to external factors e.g. externally led influence and change such as scheme change, national reorganisation and asset pooling. The likelihood score has been changed from marginal to catastrophic to recognise the current uncertainty around the major change in Aquila Heywood who provides the Fund's administration |

| | |
|--|---|
| | <p>system. It is hoped that in the coming months that we will regain confidence in the business model of Heywood (the new company) but there is uncertainty at the moment. A sudden and major change to the service we receive could have a critical impact on the services we provide to our scheme members.</p> |
|--|---|

| | |
|-------------|--|
| 5.00 | APPENDICES |
| 5.01 | <p>Appendix 1 – Business plan update 2018/19 Appendix 2 – Backlog and aggregation update from Mercer Appendix 3 – tPR Data Score summary Appendix 4 – Analysis of cases received and completed Appendix 5 – Key Performance Indicators Appendix 6 – Member Self Service update Appendix 7 – Risk register update</p> |

| | |
|-------------|--|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <p>Report to Pension Fund Committee – Business Plan 2018/19 to 2020/21</p> <p>Contact Officer: Sandra Beales, Principal Pensions Officer Telephone: 01352 702876 E-mail: sandra.beales@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> |
|--|---|
