

CLWYD PENSION FUND COMMITTEE

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| Date of Meeting | Wednesday, 20 February 2019 |
| Report Subject | Administration and Communications Update |
| Report Author | Principal Pensions Officer |

EXECUTIVE SUMMARY

An update is on each quarterly Committee agenda and includes several administration and communications related items for information or discussion. The items for this quarter are:

- (a) Business Plan 2018/19 moving into 2019/20 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 lump sum payment functionality, recent employer meetings and the involvement in the national CIPFA Benchmarking review.
- (c) Resource – an update on recruitment and staffing.

RECOMMENDATIONS

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

| 1.00 | ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS |
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| 1.01 | <p>Business Plan 2018/19 Update</p> <p>Progress against the business plan items for this this year is generally on track as illustrated in Appendix 1. Key items to note are as follows:</p> <ul style="list-style-type: none">• A1 – Additional Payroll Functionality - This has now been completed. The new functionality allows lump sum payments to be made through our current internal payroll, rather than relying on FCC finance function to prepare these payments. Although initial teething issues were encountered which impacted on resources, these have now been corrected. Lump sum payments totalling £2,421,860 were made to 370 members via this new functionality in the period to 31 January 2019, ensuring members receive payment in a timelier manner.• A4 & A5 Expanded Backlog and Aggregation Project – Mercer have continued to work on these areas and have made good progress. It is expected that A4 will be completed by the end of Q4. However, due to the additional work undertaken by Mercers as mentioned in the Part 2 paper relating to Project Apple, the timescales for A5 will need to be extended into 2019/20 as part of the business plan.• A8 – GMP reconciliation project is going to plan. There are some policy decisions that will require to be made at or before the March committee meeting regarding the treatment of pensions that have transpired to have been under or overpaid as a result of cleansing of the GMPs. The timing of this will depend on response times from HMRC and progress made by Equiniti.• A11 - National Pensions Dashboard – in recent weeks the Government has commenced a further consultation relating to the development and implementation of the dashboard which provides greater certainty over the expected timescales. Accordingly this item has been carried forward into the 2019/20 to 2021/22 business plan.• A16 – Other Expected National Changes – The Chancellor of the Exchequer announced a change to the SCAPE discount rate in his Budget statement on 29 October 2018. The SCAPE discount rate affects all sets of factors based on the valuation of public sector schemes. A stop on calculating transfers out was imposed whilst awaiting updated factors. New factors were received mid-January and work has commenced calculating the backlog of cases that accumulated since October. |
| 1.02 | The Committee is asked to note the updates relating to the 2018/19 business plan projects. |
| 1.03 | <p>Current Developments and News</p> <p>A separate LGPS report has been provided by Mercer and is included with the Committee Papers. In general the Administration Team are aware of the points highlighted in the report and a number of these are specifically referred to in the Business Plan for 2019/20 to 2021/22. The following includes some of these points as well as other developments and news:</p> |

- Following the provision of data from Mercer relating to the quality of data in the 2018 interim valuation extract, work continues to be undertaken within the Administration Team to check and cleanse the highlighted member records. Good progress has been made and the team is on target to complete the initial 981 member queries supplied. This work will be completed by 31/03/19 and will result in better quality data for the 2019 valuation. A further report has now been received from Mercer relating to further member records that require checking. Work is also being undertaken by the Administration Team to determine what communication is required to be sent to employers where the data queries relate to information provided by, or missing from, employers. This will detail any specific actions required by them to improve the data they provide.
- Testing of Altair 9.1 as successfully completed as part of the Testing Working Party (TWP), which is a small group of administering authorities who volunteer to carry out testing of our administration system's new software updates. This exercise proved beneficial as it allows the CPF to have early insight into forthcoming software changes and it enabled testing of the impact of the Welsh rate of Income Tax from April 2019 to be undertaken.
- As part of our ongoing initiative to improve the quality of data and timeliness of processes, a successful meeting between Wrexham payroll managers, iConnect representatives and CPF representatives took place. Processes and data cleansing preparation were discussed and changes agreed. This included work to improve the supply of data which will introduce efficiencies for the current aggregation process. This will also assist in the preparation for the on-boarding of Wrexham CBC onto iConnect in 2019/20.
- Regular meetings are also being held between Flintshire County Council (FCC) and CPF, including HR and payroll representatives. This is to facilitate more streamlined processes for both FCC and CPF.
- Principal Pensions Officers have also developed a new year end Compliance Certificate. This is an additional checklist which employers will be required to complete to confirm they understand their responsibilities and have supplied correct member data.
- Mrs Karen Williams, Principal Pensions Officer, recently participated in the CIPFA Benchmarking questionnaire review. This review is to primarily encourage more funds to participate in its completion by making it a more valuable document. The review is also intended to incorporate standard Key Performance Indicators (KPIs) to allow a comparison between funds. In light of the timescales and amount of work anticipated these changes are not expected to be implemented until 2020 and then reported to CIPFA in 2021. Once these KPIs have been agreed, the Committee will be asked to adopt the new KPIs and the Administration Team will develop the existing KPI reporting to incorporate the changes. These additional statistics will then be presented as part of the KPI reporting process to Committee.
- Mrs Williams is also currently part of an LGPS Framework party focusing on software providers. As a potential founder member, CPF will have valuable insight and input into the provision of a framework to facilitate a more robust procurement process for this vital administration software.

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| <p>1.04</p> | <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"> • Team leaders are incorporating the newly introduced TEC (Technology Education Centre) module as part of the mid-year reviews for team development. This is an on-line training tool which targets specific areas and can be visited as a refresher or an LGPS point of reference. This will assist with training of new team members and will form part of the appraisal process. • Day to day tasks – Appendix 2 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. The number of outstanding cases continues to reduce on a monthly basis despite a short working month in December. There continues to be a high volume of workflow, resulting from projects such as Project Apple, the implementation of iConnect, the additional data quality project from Mercers and preparing a Data Improvement Plan for TPR. • Key performance indicators – Appendix 3 shows the performance against the key performance indicators that are measured on a monthly basis up to December 2018. The chart continues to illustrate that the Administration Team are not managing to meet most of the agreed standards. However, although improvement is still required, there has been a noticeable increase in the number of death cases completed within the timeframes. In addition the team are consistently paying over 100 new retirement benefits each month. It is envisaged that there will be further improvements across some of 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 continue have a temporary negative impact on some of the KPIs. The number of cases remaining at the end of each month, as shown in Appendix 6, continues to decrease due to the efforts to reduce backlog cases despite the clear increase in cases over the past few years. <p>The Principal Pensions Officers are continuing to undertake additional duties whilst ensuring the section performs during the on-going absence of a Pensions Administration Manager. This includes involvement in LGPS Framework plans, attending Pension Manager meetings, liaising with legal specialists in relation to Admission Agreements and the recent recruitment of the additional Principal Pensions Officer responsible for Regulations and Communications (see below).</p> |
| <p>1.05</p> | <p><i>Internal dispute resolution procedures</i></p> <p>The two 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 four 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 because of an incorrectly recorded period of time in |

| | <p>the Scheme. The second appeal is against the award of a deferred benefit rather than a refund of contributions which the member was expecting.</p> <ul style="list-style-type: none"> The Stage 2 ongoing appeal has been referred back to the employer to be reconsidered. <table border="1"> <thead> <tr> <th></th> <th colspan="4">2018/19</th> </tr> <tr> <th></th> <th>Received</th> <th>Upheld</th> <th>Rejected</th> <th>Ongoing</th> </tr> </thead> <tbody> <tr> <td>Stage 1 - Against Employers</td> <td>5</td> <td>1</td> <td></td> <td>4</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> <tr> <th></th> <th colspan="4">2017/18</th> </tr> <tr> <th></th> <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>3</td> <td>1</td> <td></td> </tr> <tr> <td>Stage 2 - Against Administering Authority</td> <td>1</td> <td></td> <td>1</td> <td></td> </tr> </tbody> </table> | | 2018/19 | | | | | Received | Upheld | Rejected | Ongoing | Stage 1 - Against Employers | 5 | 1 | | 4 | 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 | 3 | 1 | | Stage 2 - Against Administering Authority | 1 | | 1 | |
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| | 2018/19 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Stage 1 - Against Employers | 5 | 1 | | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Stage 1 - Against Employers | 13 | 2 | 9 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stage 1 - Against Administering Authority | 1 | | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Stage 2 - Against Administering Authority | 1 | | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.06 | <p><i>Communications Strategy</i></p> <p>The Communications Team has provided the following communications since the last update:</p> <ul style="list-style-type: none"> Details of the new Fair Deal proposals that have been put out for consultation (closing date 4th April 2019) were emailed to employers. Feedback has been requested to be sent directly to the MHCLG. The latest update regarding the Cost Cap exercise and pending court case decision has been distributed to employers. The outcome of the court case may impact the cost cap exercise. Any further information will be communicated appropriately. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.07 | <p>The new Regulations and Communications Principal Pensions Officer commenced employment on 14th January 2019. Kathleen Meacock previously worked at Mercer and, prior to that, worked in the CPF Administration Team. This new post will facilitate progression of the Communications Strategy and assist the Fund to communicate changes to all stakeholders whilst moving forward at this time of uncertainty and change within the LGPS.</p> <p>A greater focus on member uptake of Member Self Service (MSS) will be one of the main priorities of the new Communications team. A new MSS User Group has been set-up which Ms Meacock will be attending later this month. This will assist with best practice ideas including member uptake and functionality.</p> <p>A review of the Pension Increase letters (including the Clwyd Catchup pensioners newsletter), Annual Benefit Statements and Penpal (the active members newsletter) is currently being undertaken in readiness for the new scheme year.</p> <p>The Communications Team along with the Technical team have been rolling out and training staff members on the use of the new on-line training tool, TEC.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.08 | Appendix 4 provides an updated summary of Member Self Service (MSS) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | registered users, this illustrates that enrolment to Member Self Service continues to grow. It has increased by over 200 members since the last meeting with over 35% of active members now registered to use this on-line facility. |
| 1.9 | <p>Delegated Responsibilities</p> <p>The Pension Fund Committee have delegated a number of responsibilities to officers or individuals. Appendix 5 updates the Committee on the area of delegation used since the last meeting. This relates to the entry of Churchills as a scheme employer in the Fund and expanding the Chartwells admission agreement.</p> |

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| 2.00 | RESOURCE |
| 2.01 | <p>As mentioned Kathleen Meacock has been successfully appointed to the new Principal Pensions Officer post. The Communications Officer post has been re-advertised for the month of January due to lack of interest in the first advertisement. It is hopeful that an appointment will be made shortly.</p> <p>The position of a part-time Pensions Payroll Officer has become available due to the retirement of a valued team member. This post is currently being advertised with interviews due by end of March. Staffing levels will be continuously reviewed to measure the impact of the new team members on our workloads.</p> |

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

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| 4.00 | RISK MANAGEMENT |
| 4.01 | <p>Appendix 6 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, there has been no changes to the risk scores. However some additional actions to assist in reducing these risks have been added as follows:</p> <ul style="list-style-type: none"> • 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. An action has been added |

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| | <p>to update the Administration Strategy to include a requirement for employers to complete a compliance declaration, and to ensure greater focus on the availability of employer payroll system/information.</p> <ul style="list-style-type: none"> • Risk number 4 – scheme members do not understand or appreciate their benefits due to communications being inaccurate, poorly drafted or insufficient. An additional action has been added to recruit to the vacant Communications Officer post. • Risk number 6 – service provision is interrupted due to system failure or unavailability. An additional action has been added to carry out a further disaster recovery test. <p>Note that all actions will be reviewed to incorporate the projects from the 2019/20 to 2021/22 business plan once it has been approved.</p> |
| 4.03 | <p>In addition, the target dates have been extended given the recruitment and training of staff is ongoing (including now the Pensions Administration Manager) and the implementation of iConnect and some of the other actions are ongoing. Some of this is partly due to additional unexpected work during 2018/19 such as Project Apple.</p> |

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| 5.00 | APPENDICES |
| 5.01 | <p>Appendix 1 – Business plan update 2019/20 Appendix 2 – Analysis of cases received and completed Appendix 3 – Key Performance Indicators Appendix 4 – Member Self Service update Appendix 5 – Delegated decisions Appendix 6 – Risk register update</p> |

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| 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/Karen Williams, Principal PensionsOfficers</p> <p>Telephone: 01352 702876/01352 702963</p> <p>E-mail: sandra.beales@flintshire.gov.uk / karen.williams@flintshire.gov.uk</p> |

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| 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> |

- (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 DCLG.
- (h) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation.