

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 10 February 2021
<b>Report Subject</b>	Administration and Communications Update
<b>Report Author</b>	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 October Committee meeting, 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 software testing, data improvement plans and new efficiencies across the team
- Day to day tasks and key performance indicators – showing the position to end of December 2020
- Communications – Details of the 1-2-1 member engagement sessions, an update on the usage of the Fund's Member Self-Service (MSS) facility and details of employer engagement and communications sent
- Update to the Fund's risk dashboard and changes to the administration and communications risks since the last meeting including the consideration of the £95k cap into existing risks.

### 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="320 322 783 353"><b>Business Plan 2020/21 Update</b></p> <p data-bbox="320 394 1358 533">Progress against the business plan items for quarter three of this year is positive for the majority of items but 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="320 577 1382 2085" style="list-style-type: none"><li data-bbox="320 577 1382 1196">• A1 Implement Survivor Benefit Changes – There has been no progress on this since the last update due to delays in information being issued by LGA and MHCLG. This area of work 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 still currently awaiting further guidance from the LGA on how to proceed with these cases. As mentioned in previous updates 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). The MHCLG consultation on the Goodwin changes is also still outstanding. As a result of these national delays this work clearly will now fall into 2021/22.</li><li data-bbox="320 1205 1382 1608">• 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 all of the letters having been sent to the affected members informing them of the amendments to their pension benefits. Due to the complexity of some these cases, the final stages of the reconciliation project took slightly longer than expected. Any remaining amendments to pension and administration system updates were actioned in January. A final member data comparison exercise is due to be completed by the end of February with any amendments also to be completed by then, bringing the exercise to a successful end.</li><li data-bbox="320 1617 1382 1868">• A3 i-Connect – Good progress is being made towards having all employers' on-board and submitting active member data electronically every month. The focus for Q3 and continuing into Q4 is to on-board all remaining employers either prior to, or part of the year end process. The remaining employers cover only 4% of Fund membership. I-connect data verification reports and continuous data cleaning processes are also being developed which will improve data quality.</li><li data-bbox="320 1877 1382 2085">• A4 Improve employer monitoring and engagement - This project involves developing a clear process for identifying what employers are doing well and also where issues exist. The Fund will provide information to the employers on their performance, and introduce more formal escalation procedures where required. Due to the complex reporting required to capture individual employer data, the timescales</li></ul>

	<p>for this item have slipped slightly. Reports are expected to be finalised by the end of Q4 and will be shared with employers in line with the new financial year.</p> <ul style="list-style-type: none"> <li>• A5 Fundamental review of all Fund communications - The Fund has a wide range of standard forms, booklets, and leaflets as well as information on websites and other media. A fundamental review of all communications will be done to ensure they are presented in a manner that meets the Fund's Communication Strategy. A review of the website has already commenced to ensure it meets the national standards for website compliance. This action will now need to continue into 2021 and incorporate A13 and A14. This will allow for the recruitment of the new Lead Website and Technical Development officer whom will primarily be responsible for the co-ordination and completion of these exercises.</li> <li>• A8 McCloud and Cost Cap – The McCloud programme is now taking place and a separate update is included later in this report</li> <li>• A10 Develop Under/Over Payment Policy - It is good practice for a pension fund to have clearly agreed policies and procedures relating to how to deal with benefits that have been under or over calculated and, where relevant, under or over paid. The Fund have developed a policy to coincide with the GMP reconciliation exercise which has resulted in a number of benefits being recalculated. Although initially due to be complete in Q3, the review of the policy has taken longer than expected due to other pressures and will now be ready for consideration by the Committee at the March meeting.</li> <li>• A17(a) Other Expected National Changes – £95k cap – 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. Unfortunately the timing of the change means that MHCLG have not yet made amending regulations to clarify how this will impact the LGPS. Judicial reviews are being planned for the Spring of 2021 and the MHCLG amendment regulations are not expected until after that point. Fortunately the Fund hasn't had any members that have breached the £95k cap as yet but in the interim the Fund will continue to review each case. This situation may continue into 2021/22 and the business plan has been updated accordingly.</li> </ul>
1.02	<p>The Committee is asked to approve an extension of timescales for the completion of the following:</p> <ol style="list-style-type: none"> <li>1. review of all Fund communications</li> <li>2. implementation of processes in relation to the £95k cap and wider reform.</li> </ol>
1.03	<p><b>Current Developments and News</b></p> <p>The following details additional developments and news that are not covered in the Business Plan section:</p> <p><i>McCloud Programme update</i></p> <ul style="list-style-type: none"> <li>• LGPS Consultation/Regulations - As reported to the last Committee, the Clwyd Pension Fund response to the MHCLG consultation on the</li> </ul>

proposed changes to the LGPS statutory underpin protection to remove the unlawful discrimination found in the McCloud and Sergeant court cases was submitted on 8 October 2020. MHCLG has not yet publicly responded to the consultation feedback, and it is unclear when final regulations will be made, as the required changes to the Public Service Pensions Act could impact on the delivery timescale of the LGPS amendment regulations. A ministerial statement providing an update is expected to be issued in February 2021 and it is hoped this will provide greater clarity on timescales and perhaps also on some high-level points expected in the amendment regulations. MHCLG has informally advised that administering authorities should commence data collection in the meantime.

- CPF McCloud Programme Progress - An update on the progress of the Clwyd Pension Fund McCloud programme is attached at Appendix 2. The programme currently has an overall health status of green, meaning that it is largely on track. The update report shows that the programme is currently focussing on data collection with employers including having one to one meetings with employers to discuss the requirements. The programme is also considering data checking and validation procedures for when data is received from employers. It is expected that the administration software toolkit to assist in collating data into the administration system provided by Heywood is not likely to be available as soon as hoped. The team have received a test version of the administration software toolkit and are currently working with Heywood (the software administration provider) to gain clarity on what the toolkit will provide, and the data checking procedures and validations that the toolkit will carry out, to ensure the programme is not delayed unnecessarily. However, any delay in the amendment regulations being made could further delay changes to the administration software, resulting in an impact on delivery of the programme timescales.

#### *Other updates*

- The Operations team have completed a review of a number of processes including aggregation of multiple LGPS memberships, deferment of benefits on leaving and setting up a new joiner to the Fund. This is to ensure efficiency, effectiveness and the correct level of staff being responsible for the correct stage of the process. Improvements are already being noticed with the number of outstanding cases now at its lowest since reporting began.
- The Technical and Payroll team have successfully completed the testing to provide Pensioner and Dependant members with an electronic version of their monthly payslip to replace the hard copy payslips which are produced if there is a change in pay of £5 or more. In addition a notification will be included on the Pensioner and Dependents P60s this year advising members that their P60 will be provided electronically only in future years, starting from next year. If a member opts to receive paper correspondence, then a paper copy will continue to be sent via their preferred communication method. Team members continue to attend Technical and Payroll user groups (virtual meetings) and are key participants of vital testing programmes that are currently underway with Heywoods.
- The Administration team have collectively developed the data improvement plan for 2020/21 in readiness for the annual review of

common and scheme specific data for all pension schemes by The Pension Regulator (TPR). This continues to be an important addition to business as usual, and the results of the time and effort that is dedicated to this has led to improved TPR scores over recent years. The data analysis by the Fund Actuary has also identified that the 2020 data cleansing exercise has resulted in the liabilities assumed due to data issues being reduced by c£4m. The future data improvement plan will be presented to the Pension Board at the next meeting and progress against plan monitored through the year.

- 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 Communications team have successfully liaised with FCCs internal central dispatch department and organised new processes for the receipt and allocation of paper post. This has reduced the need for team members to go to County Hall on a regular basis to allocate post accordingly. Other efficiencies in relation to external outgoing printing and posting are also being discussed and tested.
- The Communications team have provided additional support recently to a number of employers with TUPE queries. This is a difficult and complicated area and has required a significant amount of time and expertise to ensure the correct guidance is given.
- There have been a number of Town and Community Councils that have joined the scheme recently. The administration team has collectively supported these new employers with the appropriate training and guides provided.
- The Employer Liaison Team are currently working together with FCC IT colleagues to develop a solution to assist FCC payroll to extract and manipulate member data. This is in response to the McCloud ruling requirements. If successful, this will encourage future collaborations and pooling of specialist knowledge and resource for future projects.
- In January the Administration team, in conjunction with Heywoods successfully completed a disaster recovery test. The Administration team will continue to develop internal tests and processes as part of the Business Continuity work which will be included in the 2021/2022 Business Plan.

**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 3 provides the analysis of the numbers of cases received and completed on a monthly basis to December 2020 since April 2017 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 increased in October and November, reducing in December which reflects the office shutdown and additional annual leave that is typically taken during the Christmas period. The number of outstanding cases is at its lowest and continues to fall. Training

continues with the newly appointed staff members (detailed below), and once complete will improve the time taken to complete cases thus having a positive impact on the overall number of cases being completed.

- Key performance indicators – Appendix 4 shows our performance against the key performance indicators that are measured on a monthly basis up to December 2020. The charts illustrate that there continues to be fluctuation in performance recently. This is as a result of a number of factors:
  - the recruitment to backfill the vacant posts within the operations team following the transition to the McCloud team
  - training requirements of new staff members in a virtual environment
  - delays in receiving information from members and employers during the lock down period
  - staff utilising their annual leave entitlement during the Christmas period
  - a significant number of staff members have sadly lost family members over the last few months and this has had a direct impact on performance and morale, as well as resulting in some absences.
- The continuation of training facilitates the completion of different types of cases by more staff members. The fluctuation of performance against KPI targets will also improve. Focus continues on improving the legal requirements timescales with particular focus on informing the employer (see A4 on Business Plan) if they have achieved/not achieved the agreed timescales as stipulated in the Administration Strategy.

1.05 *Internal dispute resolution procedures*

In relation to the cases outstanding for 2019/2020:

- Since the last update, the same three Stage One appeals against employers, are outstanding. Further medical evidence has been requested in order for final appeal decisions to be made, but the pandemic is causing delays with this. Of these three cases, two are against the tier awarded for ill health retirement and one is against the fact that ill health retirement was not awarded at all.
- There are no Stage Two appeals outstanding.

In relation to the cases outstanding for 2020/2021:

- There are three Stage One appeals against employers for non-award of ill health retirement. These appeals are currently ongoing.
- There is one Stage Two appeal against the employer regarding the tier of ill health retirement that was awarded by the employer. This appeal has been rejected.

	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	

	<table border="1"> <tr> <td>Stage 2 - Against Administering Authority</td> <td>0</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td colspan="3">2020/21</td> </tr> <tr> <td></td> <td></td> <td>Received</td> <td>Upheld</td> <td>Rejected</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Ongoing</td> </tr> <tr> <td>Stage 1 - Against Employers</td> <td>3</td> <td></td> <td></td> <td>3</td> </tr> <tr> <td>Stage 1 - Against Administering Authority</td> <td>0</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Stage 2 - Against Employers</td> <td>1</td> <td></td> <td>1</td> <td></td> </tr> <tr> <td>Stage 2 - Against Administering Authority</td> <td>0</td> <td></td> <td></td> <td></td> </tr> </table> <p>There are no CPF cases that are currently with the Pensions Ombudsman.</p>	Stage 2 - Against Administering Authority	0						2020/21					Received	Upheld	Rejected					Ongoing	Stage 1 - Against Employers	3			3	Stage 1 - Against Administering Authority	0				Stage 2 - Against Employers	1		1		Stage 2 - Against Administering Authority	0			
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1.06	<p><i>Communications Strategy</i></p> <p>The Communications Team has continued to increase engagement with employers during recent months. The following communications have been provided since the last update:</p> <ul style="list-style-type: none"> <li>• Twenty-five emails have been sent to all employers providing information in relation to McCloud, exit payment reform (including the £95k cap), employer flexibilities and Covid-19 FAQs.</li> <li>• The Penpal Newsletter was issued to all active, deferred and pensioner members providing information relating to McCloud, an update on Covid-19 and a financial overview of the Fund. This was also provided to employers.</li> <li>• Requests to employers to confirm if they believe they are in or out of scope of the £95k cap ruling.</li> <li>• Meetings with employers to discuss the TUPE transfer process have taken place along with some individual on-line employer training sessions.</li> </ul>																																								
1.07	<p>Other key points in relation to communications include:</p> <ul style="list-style-type: none"> <li>• The member requests for 1-2-1 sessions that are offered to members as part of the Annual Benefit Statement communication was lower than usual this year (195 compared to 490). Discussions with employers are taking place to establish if the 1-2-1 sessions were promoted as well as previous years. Another aspect to consider is that the meetings were held virtually this year and members may have preferred the face to face option.</li> <li>• Of the 195 1-2-1 appointments made, 19 members did not turn up to the virtual meeting.</li> </ul>																																								
1.08	<p>Appendix 5 provides an updated summary of Member Self Service (MSS) registered users, which illustrates that enrolment to Member Self Service continues to grow. A further 457 members have registered since the last update taking the total number of registered members to 12,020. The recent upgrade of functionality for deferred members to request retirement information described in the previous update is proving a useful addition to members; 226 members have requested a retirement pack for their deferred benefit via MSS as opposed to email/post/telephone in the period from 1/10/20 to 31/12/20. The benefit projector continues to be a very popular function with 6,821 benefit projections having been calculated by members in this last period. There have also been 305 changes to member's Expression of Wish details. The Fund is planning a further exercise to try and increase registration numbers whilst maintaining</p>																																								

	engagement with members. Further updates will be provided in future reports.
1.09	<p><b>Delegated Responsibilities</b></p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegations have been used since the last Committee.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>Following the successful transition of four staff members from the Operations team to the McCloud team in July, all substantive positions have been filled and training is well under way. All new appointments have integrated well with the team despite the new virtual environment in which we are currently working.</p> <p>The review of the Technical and Payroll team resulted in the addition of two new positions. The recruitment to the new Lead Payroll Officer is complete and was filled with an internal promotion. Recruitment is now underway to fill their substantive post. The recruitment to the new Lead Website and Technical Development Officer has resulted in the appointment of a FCC graduate trainee. Both appointees provide excellent knowledge and skill in their respective areas.</p> <p>Recruitment is underway to replace a Pension Officer who has resigned within the Employer Liaison Team (ELT). The existing Pension Officer is leaving to pursue other opportunities. Recruitment is also underway to fill a separate vacant part-time Pension Assistant role also within the ELT.</p> <p>Staffing levels will be continuously reviewed within the McCloud, ELT and Administration teams, and consideration given in relation to potential peaks in workload as the McCloud Programme progresses.</p>

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
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"> <li>• Risk number 2 - Employers not understanding or meeting their responsibilities which could lead to us being unable to meet our legal or</li> </ul>



	<p>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,</p> <ul style="list-style-type: none"> <li>• Risk number 3 - 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 the delay in regulations concerning the £95k cap and exit reform confirms this as a key risk.</li> <li>• Risk number 5 - High administration costs and/or errors due to service provision being interrupted, systems not kept up to date or not utilised appropriately. This risk relates in particular to the performance of the software and the ability of the provider to respond to regulation changes such as McCloud, the £95k cap and exit payment reform that now causes a potential risk. If delays in solutions are experienced, manual calculations may be required and the system may not be utilised as expected for a period of time.</li> </ul>
4.02	<p>Since the last update, all of the risks have had their target date updated to be October 2021 and a number of the internal controls and outstanding actions have been updated. These changes are in the main due to the ongoing uncertainty around McCloud and the £95k cap legislation as outlined previously in this report. In addition, the following risks have had their likelihood or impact scores changed:</p> <ul style="list-style-type: none"> <li>• 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 increased from low to significant. Whilst confident that data is being received in a timelier manner due to the provision of data monthly via i-Connect, the change in risk relates to the uncertainty around Covid-19 related absences amongst employer staff members. An annual review of SLA communications with employers has been added as a new action. This is to ensure employer understanding in relation to their legal requirements and responsibilities.</li> <li>• Risk number 5 - high administration costs and/or errors, including utilisation and efficiency of processes and systems. The current impact has increased from Negligible to Marginal, and the impact increased from Low to Significant. Both of these changes have resulted in the current risk status increasing to Amber. These changes reflect the challenges that Heywood face to develop software solutions and enhancements in relation to McCloud and the £95k cap. If not developed in a timely manner the system will not be utilised appropriately. This risk will be monitored and reviewed as regulations are confirmed. A review of the Technical team is now complete so this action has now been removed.</li> </ul>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – Business Plan update 2020/21  Appendix 2 – McCloud Programme update report  Appendix 3 – Analysis of cases received and completed  Appendix 4 – Key Performance Indicators</p>

	Appendix 5 – Member Self Service update Appendix 6 – Risk register update
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<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Report to Pension Fund Committee – Business Plan 2020/21 to 2022/23  <b>Contact Officer:</b> Karen Williams, Pensions Administration Manager <b>Telephone:</b> 01352 702963 <b>E-mail:</b> karen.williams@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – 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) <b>Administering authority or scheme manager</b> – 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) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) <b>LPB or PB – Local Pension Board or Pension Board</b> – 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) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) <b>TPR – The Pensions Regulator</b> – 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) <b>SAB – The national Scheme Advisory Board</b> – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.</p> <p>(h) <b>MHCLG – Ministry of Housing, Communities and Local Government</b> – the government department responsible for the LGPS legislation.</p>