

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 06/10/2022

Subject: Pension Administration Update

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

The Hammersmith & Fulham Pension Fund began its new partnership with the Local Pension Partnership Administration (LPPA) on 26 January 2022. The commencement of the service with LPPA has been challenging for all stakeholders, as LPPA have been implementing and familiarise themselves with the new software (UPM), new processes and been hampered by system outage and errors as well as large call volumes. All of these issues has impacted on both service delivery and member experience. This paper provides a summary of activity in key areas of pension administration.

RECOMMENDATIONS

The Pension Fund Committee is asked to consider and note the contents of this report.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for pension fund members, the Council and the council tax payer.

Finance Impact

There are no direct financial implications as a result of this report. Costs of the pensions administration service, including costs of additional commissioned work provided by LPPA are met from the Pension Fund.

Andre Mark, Head of Finance (Strategic Planning and Investment), 27 September 2022

Legal Implications

Under Regulation 53 of the Local Government Pension Scheme Regulations 2013, the Council, as the administering authority of the Pension Fund “is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations”. Therefore, it is responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation. It discharges this obligation under the terms of a contract with Lancashire County Council dated 26th January 2022 which, in turn, sub-contracts its obligations to the Local Pensions Partnership Limited under a separate contract of the same date. The Service Levels are set out in the Addendum to Schedule 1 of the contract with Lancashire County Council. This report asks that the Pension Fund Committee notes the performance against those Service Levels.

Angela Hogan, Chief Solicitor (Contracts and Procurement), 27 September 2022

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

Analysis of Pension Administration

The Hammersmith & Fulham Pension Fund began its new partnership with the Local Pension Partnership Administration (LPPA) on 26 January 2022.

1. This commencement of the service has been challenging as LPPA have been implementing and learning the new software (UPM), new processes and been hampered by system outage and errors as well as large call volumes.

Update on key areas

2. Employers – Ahead of this year’s valuation our Fund employers have had to submit their end of year data, which summarises all activity of membership for any employees that are in the Hammersmith & Fulham Pension Fund. There are more challenges this year than usual as 40% of employers have not

engaged with the new employer portal and therefore not submitted their data. LPPA's dedicated employer engagement team and the LBHF in house team are working hard to engage with the employers to obtain this key data to ensure the valuation exercise and the issuing of the annual benefit statements are not impacted. LPPA have also offered online training sessions for employers but attendance has been low.

3. **Guaranteed Minimum Pension (GMP)** – The GMP exercise is a mandatory exercise for all occupational pension schemes instructed by Department of Work and Pensions (DWP) to look at entitlement for this element of a member's pension. The LPPA team have processed 118 cases to date and identified overpayments totalling £75,000 and pension arrears of over £33,000. The Head of Pensions will continue to update the Committee on the progress and provide a summary once the project is completed. Pensioners pensions are being amended in time for the next available payrun but in line with advice from the Local Government Association the Fund will not be asking pensioners to pay back any overpayments.
4. **Pension Increases** – These are an annual exercise whereby any eligible pensioners are awarded an increase to their annual pension. As previously reported, there was a system issue that meant that 40 pensioners did not receive their pension increase until their August monthly payment however this was applied with arrears. Please note some of these unapplied increases predate LPPA providing services. Solution going forward for when these are put into payments to be backdated is.
5. **Budget** – The forecasted budget for the financial year 2022/23, for LBHF was a budget of £384,086. This has increased to £398,931 due to additional resourcing to support the valuation and system migration. Please note LPPA are a non-profit organisation and most costs are shared amongst all their clients.
6. **Backlog** – There are two backlogs of unprocessed cases within the Fund, one batch has been inherited from SCC where approx. 740 cases are waiting to be processed at additional cost of £ 67,477 plus VAT to the Fund. LPPA is a not for profit organisation and the Head of Pensions has reviewed the proposal and believes this is the best value option for the Fund. The backlog cases that arose directly after the commencement of the service with LPPA has now been completed. However ,in addition, there are likely to be other data quality areas to address on the Fund's data that will be highlighted further in the forthcoming valuation.
7. **Communications** – Contacting LPPA for our members, beneficiaries and employers has been challenging with 1006 calls to the LPPA Helpdesk over the period April – June 2022 inclusive. There has been a welcome improvement in the helpdesk experience for the Fund as most calls were answered within 3 minutes.
8. **Annual Benefit statements** – These were produced on time by LPPA for 80% of our active membership and 98% of our deferred membership. Those that were

not able to be sent out due to no updated information from the employer have been advised and will be sent a statement in November 2022.

9. Engagement – Whilst the commencement of the pension administration service has been very challenging for all stakeholders, there are positives to be drawn for the Fund. Such as the increased number members engaged on the online portal this has increased by 563 for the period April to June 2022 to 2379.
10. Valuation – The Head of Pensions has been working with LPPA and Hymans to ensure that data is submitted to the actuary ahead of the forthcoming valuation. LPPA were unable to meet the original data submission date of 30th June 2022 and The Head of Pensions worked with Hymans and LPPA to agree a revised submission date of 22nd July 2022 to avoid minimum impact on production of the valuation. This revised deadline was met to allow the actuary to progress the valuation process.
11. John Raison recommendations – The Head of Pensions has discussed the recommendations where there is an administration focus with the Chair and agreed an approach to prioritise the service delivery. The Head of Pensions is keen that updates will be provided to the Committee when a task has been completed and appropriate care and due diligence should be applied to tasks to ensure they are not actioned as a tick box exercise.

Conclusion

12. The pension administration service delivered by LPPA still has room for improvement. However, annual benefit statements were issued ahead of the statutory deadline and the data was submitted for the tri annual valuation. LPPA continue to work collaboratively with the Head of Pensions. The Head of Pensions continues to work with LPPA to improve this and that future reports will provide a truer reflection of the service the Fund should experience and the enhanced service LPPA can provide to its members and beneficiaries.

LIST OF APPENDICES

None.