

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Board

Date: 27/02/2024

Subject: Pension Administration Update

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Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

One of the key priorities for the Hammersmith & Fulham LGPS Fund is to pay and administer the pensions of its members and their beneficiaries. The Hammersmith & Fulham Pension Fund (HFPF) delegates its administration duties to Local Pension Partnership Administration (LPPA). The Fund continues to strive to deliver an efficient and effective service to its stakeholders against a growing trend of an increasing numbers of tasks and challenges. Challenges include increasing complex legislation, data challenges, limited resources and difficulty in engaging with employers, which mean some issues will take months or years to resolve fully. This paper provides a summary of activity in key areas of pension administration for the HFPF.

RECOMMENDATIONS

The Pension Board is asked to consider and note the contents of this report and agree the increase pension administration providers increased budget.

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

The costs of the contract for the pensions administration service, including costs of additional work commissioned, provided by LPPA are met from the Pension Fund.

Sukvinder Kalsi, Director of Finance 13th February 2024

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. This report seeks approval for an increase in the budget to be paid to LCC for 22/23 from £384,084 plus VAT to £399,000 plus VAT because of increased IT and resourcing costs and to £399,000 in 23/24 for the additional work anticipated for regulatory change for the pensions dashboard and Mc Cloud judgement, as well as further investment in the training and development of staff. Clause 5.1 of the Discharge Agreement with LCC deals with how the budget is set annually – by LCC sending a proposed budget for the next financial year to be agreed by the Council. This report finalises the process and recommends that the budget proposed by LCC is agreed.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 13th February 2024

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 28 January 2022.

1. The service delivered by LPPA continues to have challenges that are monitored closely by the LBHF Head of Pensions. LPPA have acknowledged their unsatisfactory service and are committed to improving the service going forward with initiatives such as the introduction of a client relationship manager,

a centralised mailbox, training academy and client and employer forums in 2023.

Update on key areas

2. Employers – Engagement from employers on monthly files being submitted has increased to 73% however 48% are not up to date. LPPA have been slow to engage with employers and it is hoped this does not impact on ABS exercise.
3. Complaints – Unfortunately the number of complaints being worked on by LPPA has increased, 25 were received in Q2. The number of complaints being worked on decreased in Q3 to 14 from 25 in Q2. LPPA are starting to provide clearer reporting in this area which will help the Fund to have a better visibility of activity in this area.
4. Communications – The number of calls to the LPPA Helpdesk rose slightly in Q3 to 1198 from 1187 calls received in Q2 compared to 1110 received in Q1. The service provision continues to improve, in Q3 average call wait times were 2 minutes which LPPA are successfully bringing down.
5. Helpdesk - The average wait time fell in Q2 to 4 minutes 4 seconds in Q2 and continued to fall in Q3 to 2 minutes 34 seconds after a peak in August of 4 minutes 17 seconds with an 2.4% abandonment rate across all calls.
6. Engagement – There continues to be a positive trend from all membership groups engaging with the online portal. The end of Q3 saw 4939 members registered with the online portal. This is up by 429 from the end of Q1.
7. Regulatory – LPPA systems were updated in January with the required software to identify any McCloud cases, and it is now in the testing phase. LPPA continue to chase for any outstanding legacy data from respective employers.
8. Cyber security – LPPA understands the importance of keeping our members data safe and has implemented a number of procedures and technologies to maintain this data securely.
9. Audit – Both the 2021/2022 and 2022/23 audits are being finalised. LPPA are working on a new process to ensure that audits are planned and managed more efficiently. LPPA had a recent audit carried out by KPMG which was satisfactory.
10. Overpayments – The LBHF pensions team continue to work with LPPA and the LBHF debt recovery teams to try to recover further outstanding overpayment funds.
11. Pension Administration services budget – The LPPA budget is in line with the agreed costs for 23/24 of £468,115. However the costs for 24/25 look to be significantly higher due to busy legislative directives such as pensions dashboard, McCloud, increased membership numbers. As well as increased wage inflation and higher third party costs, which will be presented to the Pension Fund Committee for consideration and approval.

Conclusion

The pension administration service delivered by LPPA continues to show some signs of improvement, although the Fund is disappointed to see delivery under target in key areas of active retirements and deaths and some continued issues with quality. LPPA do however take onboard constructive feedback and are keen to improve.

Equality Implications

12. None

Risk Management Implications

13. None

Climate and Ecological Emergency Implications

14. None

Consultation

15. None

Appendices

None