

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Board

Date: 05/06/2024

Subject: Pension Administration Update

Report author: Eleanor Dennis, Head of Pensions

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.

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 and provided by LPPA are met from the Pension Fund. The LPPA expenditure for 2023/24 was £468,115 (in line with the budget) and the estimated costs for 2024/25 are £620,000 (subject to approval by Pensions Committee). This represents a significant increase of 32% compared to 2023/24 and is a reflection of new legislative regulations, higher volumes of work requested by pension fund members and the continuing inflationary pressures.

Sukvinder Kalsi, Director of Finance 8th May 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.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 9th May 2024

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Pension Administration

The Hammersmith & Fulham Pension Fund began its 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 for their staff 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. LPPA have supported 3 employers with additional training and guidance to enable submissions to be completed.
3. Complaints – The number of complaints being worked on decreased slightly in Q4 to 13 from 14 in Q3 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. Helpdesk – The number of calls to the LPPA Helpdesk rose again in Q4 to 1357 from Q3 levels of 1198 and 1187 received in Q2 and 1110 received in Q1. The service provision continues to improve, in Q4 average call wait times were 2 minutes 14 seconds. With an 2.4% average abandonment rate across all calls.
5. Communications – LPPA have created a dedicated retirement section on their website and increased engagement with members who have attained the minimum retirement age. They have also commenced the annual overseas existence exercise for members residing overseas.
6. Engagement – There continues to be a positive trend from all membership groups engaging with the online portal. The end of Q4 saw 5189 members registered, up from 4939 members registered with the online portal in Q3. This is up by 429 from the end of Q1. There were 13 opt outs in Q4.
7. Regulatory – There are a number of regulatory impacting the Hammersmith & Fulham pension fund the key ones are;

McCloud - LPPA systems have now been updated with the McCloud software and LPPA have identified all the affected members for our Fund.

Pensions Dashboard – The go live date for the Fund is October 2025

The Pension Regulator's Single Code – Is a set of 10 governance codes of practice for pension schemes. Recently revised in March 2024 it requires that a pension fund scheme regularly reviews their schemes and puts greater emphasis on areas such as cyber security, as well as the need to complete and review an Effective System of Governance record (ESOG) and Own risk assessment (ORA).

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 have been completed. Planning has now started for the 23/24 audits. LPPA and auditors are committed to ensure that future audits are planned and managed more efficiently.
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 will be significantly higher with services provided with a budget £620,000, due to busy legislative directives such as pensions dashboard, McCloud, increased membership numbers. As well as increased wage inflation and higher third party costs. The proposed 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 to 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