

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Third Party Administration Contract Implementation update Pensions Board 29th November 2018	Classification PUBLIC	Enclosures None AGENDA ITEM NO
	Ward(s) affected ALL	

1. INTRODUCTION

- 1.1 In January 2017 a procurement exercise commenced to identify a provider of Third Party Administration Services for the Hackney Pension Fund. The contract was due to commence 1st January 2018 for a period of 5 years, with the potential to extend this for up to a further 3 years. In May 2017 Equiniti, who were the existing third party administrator, were notified that they were successful in being awarded the new contract. Since then, the officers of the Fund, assisted by Aon, have been working with Equiniti to ensure the requirements of the new contract can, and are, being met. This report provides an update on progress made including the benefits of the new contract to the Fund and its stakeholders.

2. RECOMMENDATIONS

- 2.1 The Pensions Board is recommended to:
- Note the contents of the report and particularly the improvements the new third party administration contract will provide to the scheme members, employers and Hackney Council in its role as the administering authority to the Fund.

3. RELATED DECISIONS

- Pensions Committee 6th December 2016 – Procurement of Third Party Pension Administration Services
- Pensions Committee 24th January 2017 – Third Party Pension Administration Procurement
- Pensions Committee 25th April 2017 – Procurement of Third Party Pension Administration Services

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES

- 4.1 In recent years the benefits being offered by the LGPS have increased in complexity. However, recent advances in technology have expanded the ways by which administration can be carried out including how the benefits are communicated to scheme members. There is also much greater focus by the Pension Regulator (tPR), CIPFA and the LGPS Scheme Advisory Board, on ensuring good quality administration services including efficient and accurate data collection.
- 4.2 The review of Hackney Pension Fund's third party administration contract provided an opportunity to improve the standards of service for our scheme members,

employers and the administering authority itself. The implementation period has been longer than hoped, but it is anticipated that this will result in a much higher standard of service than under the previous contract, but at a similar cost.

- 4.3 It will be critical for the officers of the Fund to continue the robust contract management to ensure that the final service improvements are implemented, that Equiniti continue to deliver the service to the standards required in the new contract and that the costs remain as outlined in their tender submission.

5. COMMENTS OF THE DIRECTOR OF LEGAL & GOVERNANCE

- 5.1 The responsibilities for the proper administration of the Fund have been delegated by the Council to the Pensions Committee with the assistance of Pension Board members and senior officers. This is an onerous responsibility given the complexity of the scheme and the difficulty to recruit sufficient experienced staff and, as such, the Committee previously decided to outsource much of this work to a private contractor. It is critical that this contract is monitored on an ongoing basis to ensure Equiniti are meeting their contractual requirements. This includes the Council's legal responsibilities in administering the fund, such as ensuring benefits are calculated in accordance with and paid within the timescales set out in legislation.
- 5.2 Not adhering to the overriding legal requirements relating to the administration of the Fund could impact on scheme members' benefits as well as services to the employers in the Fund. This could result in complaints and potential fines for maladministration.
- 5.3 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 Equiniti was re-appointed as the successful provider of third party pension administration services following a robust tender process. They were advised of this re-appointment in May 2017 with a view to the new contract commencing 1st January 2018.
- 6.2 The requirements of the new contract included a number of changes and improvements to the services required, and these are laid out in a detailed specification of service. Some of the key elements of this, including the main improvements compared to the last contract, are outlined in Appendix 1. In addition, the new contract also includes a schedule of service standards, detailing the targets and timescales that must be adhered to, and the required reporting for specific tasks. This relates to processes involving scheme members, employers and other third parties such as HMRC. An extract of the service specification is in Appendix 2.
- 6.3 Since May 2017, the officers of the Fund, supported by Aon, have been working with Equiniti to ensure that the requirements of the new contract will be delivered. This has involved regular project meetings where Equiniti have evidenced their approach to each element of the specification. Unfortunately it has taken much longer than anticipated for the officers of the Fund to be assured that the requirements of the service specification are being met. However, most of the new service requirements have been met and signed off, enabling the contract to 'go live' on 1st July 2018.
- 6.4 The service requirements that are still being developed are:

- Data reports & on-line facilities - an employer interface file and secure portal facility for providing monthly information (see point 6.5)
- Engagement - an employer engagement strategy which will detail how Equiniti will engage with employers and provide support and education in respect to their responsibilities
- Communications - all communications such standard letters, forms and guides have been subject to a complete review, and improved versions are due to be implemented in the next few weeks. There is however still some ongoing work relating to a small number of letters and employer guides.
- Monthly reporting – Equiniti are required to provide a detailed monthly performance report to the officers of the Fund which details workloads, work completed and targets achieved, or if targets are not met they are to provide an explanation as to why. The report also highlights forthcoming projects, resources required and timeframes. The majority of the new reporting requirements has been developed, but some further work is required to ensure the information meets the expected standards.
- Member website and member self-service on-line functionality – these new facilities are very close to being signed off ready to launch to the membership. This will be a major improvement in how information is provided to scheme members and how members can access their own pension details directly.
- Greater quality controls and training – there is still some work to be done in this area to ensure compliance with the new contract (see point 6.6).

- 6.5 The most critical area of work that remains to be completed, relates to the employer interface and the overall strategy for engagement with employers. The Fund has, historically and still to date, had to deal with a number of major issues relating to data accuracy and compliance that have arisen from the data, or lack of data, that has been provided by Hackney Council in its capacity as an employer in the Fund (i.e. relating to employees of Hackney Council). The continued failure of Hackney Council to provide timely and accurate pension information to Equiniti has resulted in continued pressure on the administering authority try and rectify as much of the data as possible each year, a rise in the number of complaints from members of the LGPS, as well as the need for the Fund to report itself to the Pension Regulator for the last 3 years. The reason for this is that Fund has not been able to produce and issue the annual benefit statements within the regulatory timeframe, i.e. 31st August each year.
- 6.6 In July 2017, Hackney Council migrated their payroll from Northgate to Midland iTrent, and this change in provider has provided the opportunity for the officers of the Fund, Equiniti and Hackney Council ICT to focus efforts on building a suitable interface that will provide the detailed pension information that is required from Hackney Council to be sent to Equiniti on a monthly basis. The move to this monthly interface will be a major improvement, providing efficiencies for both Hackney Council and Equiniti, and much improved data quality.
- 6.7 The testing of this interface is now coming to a conclusion, albeit there is a large data cleansing exercise that will be required to match the information held by the Council's payroll system and the data held at Equiniti, before the monthly interface will be fully operational. This data cleansing is currently being carried out by Hackney Council payroll officers, Fund officers and Equiniti, and the success of the data cleansing will continue to rely on available, and additional, resources from all 3 of those areas. The

current expectation is that the data cleansing will be complete in the next 2 to 3 months, with a view to the interface being fully functional in early 2019. It is critical that the interface is fully up and running before the 2018/19 year-end, in order to avoid another year of inaccurate data and delays which will then, once again, impact on the ability to issue annual benefit statements within the regulatory time-frame.

- 6.7 The officers of the Fund continue to have some concerns about the standard of quality controls, automation and training within Equiniti. In recent months there have been further examples of incorrectly calculated or communicated scheme benefits which have been highlighted to Equiniti by the administering authority, so they can take corrective action. This is a key part of the continued discussions with Equiniti, and will continue to be so as part of the monthly contract implementation meetings.

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List of appendices:

Appendix 1- Summary of specification of services and key improvements

Appendix 2- Extract of required service standards

Appendix 1 - Summary of specification of services and key improvements

	Area	Key improvements compared to previous contract
4	Relationship Management, Performance and Management Reporting	More comprehensive monthly reporting and service standards which include clearer targets and proactive reporting of all breaches of the law.
5	General Requirements	A greater customer focus, commitment to continual improvement and innovation, quality control and having appropriately skilled workforce.
6	Data and Record Keeping	New data checks at point of entry via a secure portal and development of a data improvement plan.
7	Other General Matters Relating to the Delivery of the Service	Greater clarity on exactly what is required in all of these areas and any limitations on the services being provided.
8	New Joiners and the 50/50 Scheme	
9	Additional Contributions and Benefits	
10	Transfers and Aggregation	
11	Pension Sharing and Earmarking Orders	
12	HMRC Restrictions	
13	Leavers	
14	Retirements	
15	Deaths	
16	Pensioner Payroll Services	Improved accounting processes, including details of transfer values and other financial information recorded at individual employer level.
17	Accounting and Banking	
18	Communication	<p>New scheme member website;</p> <ul style="list-style-type: none"> - User friendly - factsheets, guides, contact details & forms <p>On-line member self service facility;</p> <ul style="list-style-type: none"> - view/update some personal information & check service details - run early retirement/ normal retirement quotations. <p>Statistics will be provided on the use of both these facilities on a</p>

		<p>monthly basis</p> <p>A complete review of all communications;</p> <ul style="list-style-type: none"> - increased & improved range of scheme member and employer factsheets & guides <p>Introduction of a call centre telephone helpline;</p> <ul style="list-style-type: none"> - instant access to knowledgeable staff to provide information & guidance to members - monitoring number of calls, response times & customer feedback
19	Employer Services	<p>Introduction of a secure employer portal;</p> <ul style="list-style-type: none"> - employers to upload monthly information with data validation at point of entry - instant monitoring of data quality from employers - continued monitoring of data corrections required from employers <p>Employer Engagement Strategy</p> <ul style="list-style-type: none"> - Equiniti to be more proactive in the education of employers - additional support and training provided where employers are not fully meeting their responsibilities.
21	Complaints, Compliments and Errors	Proactive monitoring and reporting of all complaints, errors and issues.
22	Contracting Authority Support and Training	
23	Other Reporting and Liaison with Stakeholders	
24	IT Systems	<p>Improved data recording on pension administration system;</p> <ul style="list-style-type: none"> - detailed record keeping of all LGPS contributions - AVC contributions

Appendix 2 - Extract of required service standards (samples only)

Monitoring of Core Services:

	Specification Reference	Process	Initial target and Services Standard	100% Target Standard	KPI?
1)	Section 4– Performance Reporting	Reporting - provide monthly report	99% within 10 days from end of month	15 days from end of month	Yes
2)	Section 5.2 Customer Focus, Paragraph 21	Acknowledging communications (circumstances as agreed with Contracting Authority)	95% within 5 days	8 days	
3)	Section 7.1 – Other General Matters, Paragraph 46	Ad-hoc data requests and reports	95% within 5 days	8 days	
4)	Section 7.2 Estimates & Quotations, Paragraph 47	Estimates or quotations of benefits.	95% within 10 days	15 days	Yes
5)	Section 8 – New Joiners and the 50/50 Scheme	New Joiner – overall case target to issue notice of joining (unless a transfer in is being investigated)	95% within 1 month from initial notification	40 days from initial notification	
6)	Section 10 – Transfers and Aggregation	Transfers in (LGPS and non-LGPS) – Request details from previous pension arrangements	95% within 5 days	8 days	
7)	Refunds of Contributions, Paragraph 131	Calculate and pay refund of contributions	95% within 10 days	15 days	

	Specification Reference	Process	Initial target and Services Standard	100% Target Standard	KPI?
8)	Deferred Members, Paragraph 135	Calculate and notify deferred benefits	95% within 10 days	15 days	Yes
9)	Section 14 – Retirements	Overall case target to later of payment of lump sum and notification of final benefits	95% within 20 days from date of retirement	27 days from date of retirement	Yes
10)	Section 14 –Retirements - Paragraph 143-151	Notification of final benefits and payment of lump sum (both to be completed in timescale)	95% within 5 days	8 days	Yes
11)	Section 15 – Deaths	Overall case target to later of payment of lump sum and notification of final benefits	95% within 25 days from date of death	30 days from date of death	Yes
12)	Section 15 –Paragraph 155	Notification of benefits due and payment of lump sum death benefit (both to be completed in timescale)	95% within 3 days	5 days	
13)	Section 18 – Communications	Updating all communications in relation to a scheme or other change (note – repeated for potential services too)	100% Before effective date of change or 1 month from Regulations (or other information) being made if later	Before effective date of change or 1 month from Regulations (or other information) being made if later	Yes
14)	Section 18.3 – Website and Stakeholder On-line services	Respond to member for on-line request for information	95% within 5 days	8 days	Yes

	Specification Reference	Process	Initial target and Services Standard	100% Target Standard	KPI?
15)	Section 20 – Liaison with actuaries	Provision of all data for triennial actuarial valuation	100% by 31 st July	31 st July	Yes
16)	Section 21 – Complaints, Compliments and Errors	Providing full complaint response to a person complaining	75% within 5 days	8 days	

Monitoring of Employer Responsibilities:

	Specification Reference	Process	Standard	Target
17)	Section 8 – New Joiners and the 50/50 Scheme, paragraph 59	Employer provides new start information/starter form	15 days from date of joining	95%
18)	Section 13 - Leavers	Employer provides leaver information	15 days of month end of leaving	95%
19)	Section 14 – Retirements	Employer provides initial notice of retirement	15 days before date of retirement	95%
20)	Paragraph 146 and Section 17 – Accounting and Banking, paragraph 180	Employer pays invoice relating to strain payment or other costs or charges	1 month	95%
21)	Section 17 – Accounting and Banking, paragraph 183	Employer issues schedule of information relating to contribution payments (LGPS Regulation 69(3)) from employer	19 th of the month following the month to which they relate	100%