



SURREY LOCAL PENSION BOARD REPORT

SURREY COUNTY COUNCIL

SURREY LOCAL PENSION BOARD

DATE: 21 FEBRUARY 2025

LEAD OFFICER: NEIL MASON, LGPS SENIOR OFFICER

SUBJECT: SERVICE DELIVERY OVERVIEW

SUMMARY OF ISSUE:

This paper provides the Local Pension Board (Board) with updates on progress relating to a number of key administration projects and planned improvements.

RECOMMENDATIONS:

It is recommended that the Board:

1. Note the content of this report.
2. Make any recommendations to the Pension Fund Committee if required.

REASON FOR RECOMMENDATIONS:

This report provides the Board with insight into the activities of the Surrey pension function and furthers the successful collaboration of the Committee and Board in managing risk and compliance and promoting effective governance.

DETAILS:

Background

1. Surrey County Council (the Council) is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the Surrey Pension Fund (the Fund). The LGPS is governed by statutory regulation.
2. The Surrey Pension Team carries out the operational, day-to-day tasks on behalf of the members and employers of the Fund and for the Council. It also leads on topical administration activities, projects and improvements that may have an impact on members of the LGPS.

Key Activity Summary

Performance

3. The performance levels in this period have achieved an overall score of 97%, an increase of 5% on the previous quarter.
4. The team have exceeded the expected target for all cases in this period, achieving 100% in several areas such as ill health retirement and transfers.
5. There has been consistent improvement across other areas where benefits were due to be paid including retirement, death grants and refunds all exceeding target.
6. The introduction of Online Retirements has begun to see an uptake in its use, with members now having the ability to initiate their retirement through a self-service function.
7. Since its launch in November 2024 there has been 60 quotations processed and 16 processed into payment. The average process time for those using the online service has been 2 days which compares to 9.5 days for the standard approach.
8. Plans are underway to expand the customer engagement of this new online service using our existing communication channels with members, employers and via the SPF website.
9. Annexe 1 provides an update on performance for this quarter, along with commentary explaining our performance and any challenges faced in meeting our SLAs. In addition, a comparative quarterly performance trend analysis has been provided in Annexe 2.
10. Additional information has also been supplied within Annexe 3 that presents a summary of the most common categories of cases being terminated.

Complaints

11. During this period there were 6 complaints received, 1 Complaint added from Q2. Details of these can be found at Annexe 4.

Internal Dispute Resolution Procedure (IDRP) and Pensions Ombudsman Cases

12. Stage one appeals determined: One has been raised.
 - a) Member raised a complaint about the time taken for delay in providing an estimate and payment of LGPS benefits, interest paid on lump sum, AVC and miss-selling of AVC. Appeal upheld only regarding delay in providing estimate and member offered compensation in recognition of this.
13. Stage two appeals determined: None have been raised.

Pensions Ombudsman Appeals

14. Two appeals have been raised during this period.
- a) Former member trying to trace benefits as they received three annual deferred benefit statements for 1985, 1986 and 1987 giving updated value of deferred pension following pensions increase. There is no record of these held on the Surrey Pension Team's electronic database, and the member was informed of this and, that the benefit must have been transferred out. Subsequently, documentary evidence of employment was provided by the HMRC, and it would appear the member would have received a part refund, with a small amount of membership deferred in the LPGS. The complaint is being dealt with as part of the Pensions Ombudsman's Early Resolution Service.
 - b) Member retired, paid in-house AVC's and at retirement elected to take 100% of AVC as tax free cash. The member is claiming loss of AVC value upon disinvestment due to delays from the Surrey Pension Team. The complaint is being dealt with initially as part of the Penson Ombudsman's Early Resolution Service.
15. One update on a Pensions Ombudsman appeal was received in this period.
- a) A member was part of a TUPE transfer and since the transfer, has been trying to request flexible retirement. An estimate has been sent to the employer however, the member is uncertain of the process to be followed. The complaint was dealt with as part of the Pensions Ombudsman's Early Resolution Service, and the employer has now granted flexible retirement and the member's pension is now in payment.
16. Redress for non-financial injustice is assessed in line with the Pensions Ombudsman guidance. Further information about this can be found by clicking on this [link](#).

Breaches Log Update

17. There are no new breaches to report in this period.

Customer Relationship Team (CRT) Update

18. During this period the CRT managed a total of 10,562 enquiries. At the initial point of contact 91% of these were successfully resolved, a 1% decrease on the previous quarter.
19. There has been an increase of approximately 400 customer interactions in this period.
20. The queries managed by the CRT during this period are grouped into the following categories:

Communication Channel	Volume
Call backs	127
Telephone	4322
Email	6113
Total	10,562

Guaranteed Minimum Pension (GMP)

21. Work has progressed with the reconciliation work, with SPF Officers and representatives from Mercer carrying out extensive analysis of the data and agreeing the full rectification requirements.
22. The final calculation data for pensioners is expected from Mercer the week commencing 18th February 2025. This data will confirm the necessary adjustments to be made to members benefits and will undergo a series of quality assurance checks before its use.
23. Where any member benefits require a recalculation that may result in an under or overpayment, these will be made inline with the LGA guidance as follows:
 - a) Where a member has been underpaid their pension benefit, the increased amount will be corrected retrospectively to the appropriate date and any underpaid pension will be paid accordingly.
 - b) Where a member has been overpaid their pension benefit, the reduced amount will be corrected to the payroll period month in which the change is applied (expected March 2025) and no historic overpayments will be recovered.
24. The financial impact of both the under and overpaid amounts are expected to be confirmed in February 2025 once the data has been received.
25. The correspondence that will be issued to members confirming the necessary changes to their pension benefit is being reviewed and communication plans are being drawn up. Letters to affected members are expected to be issued at least one month in advance of any changes to payment.

McCloud Remediation

26. Much of the work in this quarter has seen the team carry out thorough data analysis and cleansing in support of the system configuration work previously undertaken.

27. Much of the focus has centred around updating member records in bulk to ensure their service dates are accurate and any gaps in data are reconciled accordingly. This has led to several iterations of testing for data uploads, reconciliation reporting and document configuration during this period.
28. This detailed level of testing has proven to be beneficial and allowed the team to refine various process steps that will be required to carry out the remediation works. In addition to this, it has been essential in understanding where any data validation gaps may exist and where more in depth investigation maybe required, all of which has offered some key insight when planning for the live run later this year.
29. For reference, I have included the indicative number of cases that were presented last quarter that may require action:

Member Status	Provisional Underpin Applies	Final Underpin Applies
Active	526	
Undecided	115	
Deferred	750	
Pensioner	248	470
Widow/Dependent	15	16
Grand Total	1654	486

* Figures as of November 2024

30. The provisional underpin is calculated at the point the member's final salary benefits will have applied and, the final underpin is at the point the benefits came into payment.
31. Where a provisional has been identified at this stage, it does not mean the member will qualify for a final underpin at the point in which the benefit is claimed.

Monthly Employer Returns (iConnect) Roll Out

32. As of Dec 2024, the roll out figures remain the same with 248 out of 370 (67%) employers having been onboarded to iConnect, which represents circa 28,200 (81%) of the active membership.
33. The pause to onboard more employers remains in place for two reasons:
 - a) Support is being given to those employers who have, or are, currently onboarding. This is ensuring the employer roles, responsibilities and functions are fully understood and, to streamline any internal business processes that will support the continued roll out.
 - b) The increased focus on carrying out the retrospective monthly submissions for Surrey County Council. The Pension Payroll and Data Quality Teams

made excellent progress during this period, with the submissions now up to date and the number of legacy cases identified.

Legacy Case Reduction

34. Work has steadily progressed with the legacy case reduction. The completion progress as of 30 December 2024 stood at 96%.
35. The remaining cases consist mostly of deferred and aggregations which require further information from employers. These cases will continue to be managed in parallel to the newly created Surrey County Council backlog cases, caused as a result of the payroll system.
36. The number of cases identified for Surrey County Council as an employer stand at 2100. These cases will be treated in the same way as the Legacy Project work and will be segregated from the main day to day work, allowing for transparency between operational and backlog works.
37. Progress reports on this work will be included in future Board and Committee reports.

Procurement of the Pension Administration System

38. Surrey Pension Fund is currently contracted with Heywood Pension Technologies until 31st March 2026 for its administration system. As part of the Service Delivery business plan for 2024/25 the procurement was to be carried out 18 months in advance of the contract expiry, leaving sufficient time to support a migration to a new software provider should this be required.
39. In June 2024 the decision was taken to begin the procurement process using the Pension Administration Software Framework, which resides within the LGPS National Framework. This specific framework has 3 approved suppliers, all of which have met the necessary specification requirements in line with the scheme regulations, IT / Security standards and core functionality to calculate benefits and process payments.
40. Whilst the framework offers assurances that the fundamental requirements are met across all suppliers, it also offers the ability to customise where appropriate. This allows funds to ensure that the system can meet the broader needs to deliver its strategic objectives in line with its vision and mission.
41. Working collaboratively with officers from Orbis Procurement Services and having taken their advice, it was agreed that a 2-stage process would be carried out for the formal tendering approach, placing a high focus on the quality of the system.
 - a) Stage 1 required the suppliers to answer 12 Yes or No screening questions and if any were answered with a 'No', it would be at the discretion of the fund as to whether the supplier would move to the next stage.

- b) If successful at stage 1, the suppliers were then invited to provide a written response to an additional six questions and carry out a demonstration of the system.
42. Of the 3 registered suppliers, 2 of those submitted a tender response and after a robust moderation process was undertaken, Heywood Pension Technologies (our incumbent provider) have been successful in winning the tender for an initial 5-year contract.
43. Work is now in progress to finalise the contract terms.

Benchmarking

44. For the second consecutive year, CEM Benchmarking Ltd carried out a benchmarking exercise for areas within Service Delivery. The exercise provides insight into some of the service provisions we offer through a customer centric lens, rather than that of the key performance measures.
45. The benchmarking exercise sees SPF included as part of a peer group consisting of other LGPS funds and similar schemes. The data allows SPF to understand where its service offerings compare with other funds in the industry, including areas such as customer relations, customer engagement and digital services for example.
46. Below are some of the key findings from the 2023/24 report that maybe of interest:
- a) As a fund we invest more into our contact centre functions, which sees our telephony service achieve a much higher score than our peers
 - b) Our administration costs per member was £38.83, £1.67 above the peer average, which is not unexpected given the investment in our customer relationship team and our commitment to reduce legacy cases.
 - c) Our project costs per member were £1.73, £ 1.34 under the peer average. Some of these project costs will have been accounted for in administration head count, which correlates with the slightly raised costs in point b.
 - d) Our cost per member indicated a 16.3% increase from last year however, this is a result of more detailed data having been supplied this year due to an improved budget oversight model.
 - e) The average remuneration per FTE was £40,846, 1.2% less than the peer average. This is very subjective given the geographical locations of the peer group.
 - f) The overall service level score increased by 6 points to 53 from last year, much of which is attributed to the increased customer engagement undertaken.

47. In summary, whilst the results indicate some increase in operating costs for 2024, the service is operating a decent service based on the CEM service effectiveness scoring model.
48. These results do not consider any key performance indicator levels in its scoring, it has a specific focus on customer centric measures, which is something SPF are keen to expand over the next 12 months.
49. Whilst this report has offered some useful insight to where things are working well and where improvements can be made, the report is to be considered in line with other service metrics that form the fund performance dashboard, rather than used in isolation. This ensures SPF has a comprehensive set of data to determine its overall performance.

Administration Strategy Review

50. Work has begun to carry out a full review of the existing administration strategy, ensuring it remains relevant and suitable for our scheme employers.
51. This review will set out to clarify scheme employers' responsibilities under the scheme regulations, set out the service standards, introduce any revised changes in line with any changes in process and to enhance employer engagement.
52. This review is expected to be carried out over the coming months and in due course will undergo a consultation period before any changes are implemented. The revised strategy is expected to be in place by the end of quarter 1 in 2025/26.

CONSULTATION:

53. The Chair of the Local Pension Board has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

54. Any relevant risk related implications have been considered and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:

55. Any relevant financial and value for money implications have been considered and are contained within the report. The cost of the resources necessary for implementing the changes recommended above and for delivering the administering authority role is met from the pension fund (under Regulation 4(5) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009).

LEGAL IMPLICATIONS – MONITORING OFFICER:

56. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY:

57. There are no equality or diversity issues.

OTHER IMPLICATIONS:

58. There are no other implications.

NEXT STEPS:

59. The following steps are planned:

- a) Further updates will be provided to the Board at its next meeting.

Contact Officer:

Tom Lewis – Head of Service Delivery

Annexes:

1. Quarterly Performance Summary Annexe 1
2. Quarterly Performance Trend Analysis Annexe 2
3. Terminated Case Summary Annexe 3
4. Complaints Summary Annexe 4

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