



Surrey Local Pension Board 18 July 2019

Administration Update (1 April 2019 to 30 June 2019)

Recommendations

The Board is asked to **note** the content of this report and **make recommendations** if any further action is required.

Detail

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 Pensions Administration Team (PAT) based within Orbis Business Services carries out the operational, day-to-day tasks on behalf of the members and employers of the Fund and for the Council. They also lead on topical administration activities, projects and improvements that may have an impact on members of the LGPS.
3. The Board has previously requested to be kept updated on progress relating to a number of key administration projects and planned improvements which may have an impact on members of the Pension Fund, and the purpose of this report is to provide an update on the current status and progress against any specific target dates.

Staffing and Training Update

4. Improvements to member and employer communications and educational support for employers can now commence as the new Engagement & Education Lead started in post on 24 June.
5. The Service Delivery Manager is currently working with the Engagement & Education Lead to decide on priorities and set an annual work plan. The recruitment of the Communications Officer will now commence.

6. The skills and experience of the Pensions Assistants team have benefitted from attendance of the LGPS Practitioner Training event and Insight Residential Course.
7. We are exploring the relevance and value of CIPP and PMI courses to staff expertise and LGPS with a view to promoting study for pensions qualifications. Please also see the paper in support of action A14/19.

Customer Complaints Report

8. Complaints received for this quarter have increased slightly in comparison to the fourth quarter of 2018/2019, with a total of 17 received. This is still significantly low in relation to the number of cases processed during the period. Initial acknowledgement of all but 1 of the 17 complaints have been carried out within the turnaround time of 5 working days. As mentioned in LPB on 25th April 2019, this could be an early indicator of progress with backlog work.
9. It is noted that Quality of Service has been the highest subject of complaints received with 47.06%. It is also noted that one complaint is still to be resolved and is therefore outstanding. The team have ensured that any customers with complaints that cannot be answered within the turnaround time of 10 working days are contacted regularly to keep them informed of the delay.
10. The Service Delivery Manager has recently met with the Corporate Complaints Manager to arrange that the Pensions Team adopt the same reporting system as Corporate Complaints.
11. The change of system would allow for better management information allowing for improved analysis of trends which would feed into service improvement plans.

Internal Audit

12. A review of the Surrey Pensions Administration has been conducted and a report issued in April 2019. An Audit Opinion of Minimal Assurance was given.
13. The review identified 12 areas of risk and actions/deadlines for each have been agreed. All actions have clear ownership within the Programme of Work. A project board has also been established to monitor the progress and delivery of actions.

Projects

14. Highlights reports are included as Annex 1 to provide more detail on each project.

GMP Reconciliation

15. The GMP is the minimum pension that a United Kingdom occupational pension scheme must provide those public sector employees who were contracted out of the State Earnings Related Pension Scheme (SERPS), between April 6, 1978, and April 5, 1997. GMP paid was broadly equivalent to the amount an employee would have received if they had not been contracted out of the state pension scheme. Starting April

6, 1997, a reference scheme test replaced the guaranteed minimum pension system. The test evaluated the overall benefits provided by the scheme as opposed to an individual guarantee for each participant. If the scheme passed the test, it retained its ability to be contracted out.

16. There were two main components to the UK's old pension system: a basic state pension and the State Earnings Related Pension Scheme, also known as the Additional State Pension. Employees who paid National Insurance Contributions at the full rate built up a basic state pension. However, not all employees built up a SERPS. Many were contracted out of the state pension, either voluntarily or because their pension plan did so on their behalf.
17. HMRC provides two separate reconciliation support services. Shared Workspace is a web-based service for schemes that have surrendered their contracting-out certificate. Schemes that have not yet surrendered their contracting-out certificate can use HMRC's Scheme Reconciliation Service (SRS). Both are designed to help administrators reconcile the membership and GMP data held on scheme records with that on HMRC records.
18. JLT has been contracted to deal with the GMP reconciliation. Working with HMRC they provide an agreed position on membership and GMP amounts. JLT will continue to undertake the final analysis of HMRC and Scheme data. This will allow the final position from a membership and GMP value perspective and this is due in October/November 2019. Decisions will then be needed on the treatment of any over/underpayments and will allow a rectification and communications plan to be written.
19. The work that JLT is undertaking includes data gathering, member reconciliation and rectification work and has committed to 100% completion. Workshops led by JLT are taking place and include key stakeholders from the Fund. These workshops are in place to prepare the Fund for the upcoming decisions required that would define the approach to the member reconciliation process.
20. Fund officers attended a workshop organised by JLT. This is part of the ongoing engagement process and to understand the basis for GMP reconciliation decisions, including the reconciliation status, GMP liability, exact match, tolerance, proposals, awaiting data, outstanding review, what is out of scope, and members with no liability under the scheme and no corresponding record on the HMRC data.
21. Progress during this period has been excellent. 85% of membership is now matched. 97% of GMP values are now matched. 18,502 queries are remaining to be reviewed. Based on JLT's client base and broader industry involvement in this exercise, they are of the view that the current status of case reviews puts the GMP reconciliation at least on par with other LGPS funds across the country.
22. The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension might be increased incorrectly. This can result in underpayments and overpayments, at a member specific level. Stage 3 of the GMP Reconciliation Project, i.e., Rectification will amend LGPS pensions in line with the reconciled Stage 2 GMP information. This stage will also involve a significant member communication exercise to explain the changes taking place.

23. Due to the extended delays in the response times to query logs raised with HMRC, we are not in a position to be able to finalise the GMP reconciliation at this point. HMRC have also advised that we will not receive the final Scheme Reconciliation Service data cut from them, showing the final position of membership and liabilities held on their records currently until the September/October. As such, we are unable to quantify the under/overpayment liability values as at 31/03/2019.

System Review

24. The timetable for procuring a system to deliver administration on behalf of the PAT service is in place. With the contracts ending in 2021 with Heywoods, the Project Manager has started the system review of the market by gathering information on the available pension administration systems. This will ensure the system in use continues to meet the necessary requirements for all members within the partnership.

25. At the end of April 2019, PAT appointed a Business Analyst (BA) to undertake the initial discovery phase of this project. By the end of this discovery phase the BA will produce a number of key documents providing information including an impact analysis, an outline business case and a non-functional / functional specification, which will be used as part of a potential tendering process later on this financial year.

26. A number of workshops have taken place with key stakeholders and demonstrations have been provided by major system providers.

27. The decision to choose a system will be made once all research and analysis has taken place, with the aim to produce a business case showcasing all potential options later this year.

28. Whichever path is chosen, the admin service is aiming to move forward with a digital transformation that will see an increase in the use of self-service for members and employers, plus more efficient processes within the administration service.

Data Cleanse/Valuation

29. The Pensions Regulator (TPR) previously issued guidance on the approach that they consider to be good practice for measuring the presence of member data. PAT has carried out data cleansing as part of the year-end exercise and the actuarial valuation. These exercises checked data provided by employers and data held on scheme member records. However, as part of continuing efforts to improve the quality of its data, PAT has started a project that will help in moving towards the regular reconciliation of data from employers.

30. The data cleanse project is to ensure that the Fund data held in the administration system, Altair, is correct so that the contribution rates for the next 3-4 years can be set with the highest level of accuracy. This project links into the actuarial valuation work.

31. PAT have been working closely with the Fund Officers and the Actuary to reduce the number of critical errors and influential warning errors prior to the valuation in July 2019.

32. At the beginning of June there were 5,325 Critical Errors (as defined by the Fund Actuary). At the next upload, additional data cleansing work is expected to significantly reduce the number.
33. At this stage the team are working well and closely with Fund officers and the Actuary and remain confident that the data will be fit for purpose for the final valuation upload.

End of Year/Annual Benefit Statement

34. The ABS process is carried out annually and its purpose is to actively manage and monitor all employers associated with the Fund. The employers were required to submit their end of year pay information by the set deadline of 30 April 2019 as part of the LGPS pension scheme. As part of the end of year process, the annual benefit statements to all active and deferred members are to be produced by the regulatory deadline of August 31 2019.
35. Since the beginning of January communications and reminders have been sent to all employers on a monthly basis in January and February. For the month of March and April, two communication emails were sent and final reminders in May.
36. There has been a full review of the process for this year and improvements have been made to ABS project planning, preparation and production, and key actions have been put in place to ensure that the 31 August 2019 deadline is achieved.
37. The communication to employers this year has seen one of the best return rates over the last three years by 31 May. At this stage there are seven returns outstanding from employers and these have been escalated to the Fund Officers to assist with escalation. The first run of statements will take place at the beginning of July with further runs mid-end of July and early August.

Process Improvements

38. The Process Improvement Officer is due to return from maternity leave in July.
39. This Officer will be tasked with driving forward major improvements identified such as iConnect, system review, and improvements to the Member and Employer Self Service.
40. The Engagement & Education Lead will also support on these projects.

Next Steps

41. The Board is asked to note the updates and agree on the form of any future updates that are required.

Report contact: Clare Chambers, Pensions Service Delivery Manager

Contact details: T: 020 8213 2566 E: clare.chambers@surreycc.gov.uk

Annexes:

Annex 1 – Projects Highlights

Annex 2 – Customer Complaints