

**SURREY COUNTY COUNCIL****LOCAL PENSION BOARD****DATE: 11 NOVEMBER 2021****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL****SUBJECT: ADMINISTRATION PERFORMANCE REPORT AND UPDATE  
1 JULY TO 30 SEPTEMBER 2021****SUMMARY OF ISSUE:**

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.

**RECOMMENDATIONS:**

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

**REASON FOR RECOMMENDATIONS:**

The Public Sector Pensions Act 2013 requires Local Pension Boards to assist the Scheme Manager in securing compliance with the Local Government Pension Scheme (LGPS) Regulations and requirements imposed by the Pensions Regulator. 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 Pensions administration 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.

### 3. Key Activity Summary

Activity / Project Area	Impact on Surrey Pension
<p><b>Legacy Removal:</b> Surrey Pension Service procured JLT (now Mercer) to support the removal of a significant backlog in undecided leaver cases (also known as status 2).</p> <p>These are cases whereby members have most likely:</p> <ul style="list-style-type: none"> <li>- Left one employer within the scheme and moved to another employer still in the scheme, requiring aggregation</li> <li>- Left an employer and the scheme in full and became a deferred member</li> </ul>	<p>It was agreed in 2019 that this backlog should be reduced in time for the valuation in 2022 to ensure membership levels are accurate and, reduce the assumptions made by the actuary, to increase the accuracy of the fund valuation.</p>
<p><b>McCloud:</b> In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The government has decided that the general principles established will apply to all public sector pension schemes and, therefore, it has consulted on amending the LGPS Regulations.</p> <p>Employers will be required to provide payroll data that will pre-date 2014, which may pose challenges.</p>	<p>The Surrey Pension Service will need to undertake a remediation process for all affected members in line with the regulations, LGA and its software providers, to ensure the reformed regulations are carried out within the scheme membership.</p> <p>The potential financial impact has been assumed at the last valuation by Hymans to be 0.5% of the total fund worth. We will work to provide a clearer understanding of the affected members and, more accurate costs in line with the regulatory changes.</p>
<p><b>Guaranteed minimum pension (GMP) Reconciliation Project:</b> The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997.</p> <p>Surrey Pension Service procured the service of JLT (now Mercer) to undertake the rectification of members GMP in line with the HMRC guidance.</p>	<p>Mercer have acted on behalf of Surrey Pension Team to work with the HMRC to analyse data held on our system Altair and, the data held at the HMRC, with a view to full rectification in the next 9 – 12 months.</p> <p>This work will not only ensure that the fund has accurate member liability, it will also ensure the GMP amounts are correct for our members, resulting in potential over or underpayments, that will be corrected where agreed.</p> <p>Potential cost impact is unknown at this stage. We should have more clarity on this in January 2022.</p>

## Performance Reporting

4. The performance figures in **Annex 1** report the performance for the period from 1 July to 30 September 2021.
5. During this period the Surrey Pensions administration team received 4,899 new KPI cases, 649 less when compared to the number between April and June 2021. However, 5,627 cases were completed during in quarter 2, an increase of 6% on the total number of 5,298 cases completed during April to June 2021.
6. A result of the team receiving less cases in quarter 2 and completing more cases than received means that the number of cases open at the end of September 2021 has reduced by 722 to 9,534 when compared to the start of the period on 1 July 2021.
7. There are 6,913 cases in total in quarter 2 that are 6 months or more in age. Of these, there are now 4,912 cases over 2 years old compared to 5,092 end the end of June 2021. It is expected that, as the London Borough Funds exit, there will be increased capacity within the team to tackle the overdue cases and we expect to see a further reduction in these over the coming months.
8. The average SLA% for quarter 2 increased from 77% to 82% and the number of cases not completed within SLA has improved from 930 cases in quarter 1 to 854 in quarter 2.
9. There have been marked improvements in Survivors' Pension Payments, Death Benefits payable and Balance of Payments all of which are KPIs set by the Pensions Regulator (tPR). With performance for Survivors' Pension Payments cases improving from 36% in quarter 1 to 86% in quarter 2. Similarly, performance on Death Benefits payable has improved from 67% in the last quarter to 83% in this quarter and performance on Balance of Payments has improved from 68% in the last quarter to 97% in this quarter.
10. These improvements are attributable to the introduction of a new method in allocating work to each Hub Team. Coupled with creating a 5<sup>th</sup> Hub Team, using existing members from the other 4 Hubs, has provided a clearer segregation of duties to support day to day activities and, additional projects surrounding the exits of London Borough schemes.
11. There has also been a reduction in the number of open cases in all areas of Death cases except for Initial Death notifications. However, all of the open cases in this area have future completion dates.
12. **Annex 2 (Graphs 1, 2 and 3)** provides some analysis showing membership movement starting from Q4 2018/19 (January to March 2019), two full years data from April 2019 to March 2020 and April 2020 to March 2021, plus Q1 and Q2 of 2021/22 (April to June 2021 and July to September 2021). The

data for Q2 2021/22 may not be complete as a number of cases could still be in progress.

13. The trend analysis graph at **Annex 2 (Graph 1)** shows a steady increase in the number of Fund members' status changing from active, deferred, pensioner or dependent to deceased status since the start of the Covid-19 pandemic, with a dip during July to September 2020.
14. Performance on Retirements and Refunds has remained similar to the last quarter and although the number of open cases is higher at the end of the quarter compared to the beginning, most of the cases have either 'Reply Due' status in Altair awaiting further information to proceed or have future completion dates.
15. **Annex 2 (Graph 2)** shows that the number of Deferred members electing to take their Retirement Benefits has remained fairly consistent with the biggest increase occurring between April and June 2021. The number of retirements from Active status spiked from July to September 2021 but have since levelled off to a fairly consistent number.
16. The graph in **Annex 2 (Graph 3)** illustrates that there was a significant increase in the number of members taking a refund of their pension contributions during Q2 2019/20 (July to September 2019), this was as a result of an exercise which was carried out to clear through outstanding refund cases. There was also a spike in Q2 2020/21 (July to September 2020), this was as a result of an exercise to review and clear refund cases that had reached their 5-year payment limit. Since then, the numbers have remained relatively constant.
17. The performance report at **Annex 1** includes data on the number of cases completed including and excluding Terminated Cases. Cases can be terminated for a number of reasons including errors in the type of case created, members/employers no longer requiring a response, duplicate cases as a result of work being completed by Mercer, clearing through backlog and the passage of time determining a case no longer needs to be dealt with, and cases created for the Deferred Benefit Payment robot. The robot will terminate a case if it isn't happy with the results and create a new case to run the quotation again. It continues to do this until it is happy with the results to send to members. We are currently working with IT to ascertain if there is a better process for this that doesn't include multiple termination of cases.
18. A report is now run each month to analyse the number of terminated cases to determine whether there are any process or training issues that need to be addressed.

## **Administration Team Update**

19. Following discussions regarding staff productivity at the last Local Pension Board meeting an action was taken to provide further information on performance following on from the changes made to the team structures from 5 July 2021. A separate team was set up that is focussing on project work including the work of the London Borough exits and other projects. The existing teams are focussing on current Surrey pension fund work as it becomes due for action.
20. The implementation of a new work allocation process, which has a refined scope, targeting the completion of daily tasks within a weekly period, has begun to improve results in the monthly KPIs. It has given service delivery more controls, transparency, and focus, resulting in an overall increase in productivity when comparing the 2 months before and, 2 months after the new approach was introduced.
21. The number of tasks completed in May/June was 24,462 compared to 34,072 completed in July/August, this is an increase of 39%. Tasks are different to cases and the team are now monitored on task completion rather than case completion. The reason being that if all individual tasks within a case are completed on time, then it follows that cases are completed within target. However, if a task deadline is missed, this does not subsequently mean the case will be missed, the team can complete the follow-on tasks earlier than the deadline within the workflow, to make time up within the case.
22. There was a slight dip in the number of tasks completed in August due to staff absence (annual leave) which was 2.5 times higher than July.

## **Complaints**

23. During the period 1 July to 30 September 2021 a total of 10 complaints were received, a reduction compared to the 22 received in the previous quarter. 5 of these were responded to within the corporate service legal agreement and 5 were resolved outside of timescale.
24. 6 of the cases were classed as an 'Enquiry' by the member and 4 were categorised as a 'Stage 1' complaint. Of these, 3 were 'Not Upheld' and 1 was 'Upheld'.

## **Internal Dispute Resolution Procedure (IDRP) Appeals**

25. Pursuant to the Local Government Pension Scheme (LGPS) Regulations 2013 (the Regulations) each scheme employer and administering authority must appoint an adjudicator to consider applications regarding the first instance decisions made by the scheme employer or where relevant the administering authority.

26. A Under the Scheme of Delegation relating to section 106 agreements, the following officers are nominated to hear stage one and stage two Internal Dispute Resolution (IDRP) appeals:

- The Acting Section 151 Officer.
- The Director of Legal and Democratic Services.
- The Director of People and Development.
- The Head of Pensions (Pension Fund and Treasury).

### ***Stage 1 appeals determined***

27. A member was TUPE transferred as a result of a Directions Order. They maintained that they had been transferred against their will; however, the adjudicator pointed out that Surrey had no choice but to comply with the Secretary of State's order.

28. A member complained about the way that their scheme pays pension debit had been calculated. The adjudicator did not uphold the appeal.

### ***Stage 2 appeals determined***

29. A member complained that they should have been awarded ill-health retirement. The adjudicator instructed the employer to obtain another opinion from an independent registered medical practitioner (IRMP) and to reconsider the application.

### ***Pension Ombudsman appeals***

30. The Pensions Ombudsman has provisionally accepted appeals against three separate historic transfers-out.

### **Breaches of Law**

31. A breach of law is "an act of breaking or failing to observe a law, agreement, or code of conduct". In the context of the LGPS, this could encompass a failure to do anything required under the Regulations, Framework or overriding legislation, as well as extending to the provision of incorrect information in general correspondence or telephone conversations.

32. All breaches or suspected breaches are reported to the 'Responsible Officer' (Pension Governance and Employer Manager). The Responsible Officer is responsible for the management and execution of the breaches policy, and recording/reporting breaches and likely breaches.

33. The Responsible Officer determines whether any breach or likely breach is materially significant, having regard to the guidance set out in tPR Codes of Practice and after consultation with the Strategic Finance Manager (Pensions), the Director of Law and Governance, the Pension Fund Committee and Local Pension Board.

34. There are no breaches to report from the last quarter (April to June 2021).

## **Pensions Helpdesk**

35. In the previous Helpdesk update at the last Local Pension Board meeting, data on the number of enquiries received represented all Pension Funds, however it is now possible to provide some of the data on just Surrey Pension Fund.
36. Between 1 July and 30 September 2021, the Helpdesk handled a total of 9,915 Surrey enquiries with 91% of these being resolved at the first point of contact (this covers all Pension Funds).
37. The team aim to respond to all e-mail enquiries within the corporate service level agreement of 3 working days. As at 30 September, customers 'Happiness Factor' was rated at 85.71% and the 'Satisfaction Rating' was 81% (this covers all Pension Funds).

## **Member Self Service**

38. The number of MSS users continues to increase on a monthly basis, with the numbers increasing as below since the last quarter:
  - a. 391 additional pensioner members
  - b. 585 additional deferred members
  - c. 812 additional active members
39. Full details on the number of MSS users can be found at **Annex 3**.

## **Engagement and Education**

40. **Annex 4** provides a summary of the work carried out by the Engagement and Education Team.
41. Highlights include delivering all Pension Saving Statements by the statutory deadline to members who had exceeded the Annual Allowance limit. Details of the number of statements issued can be found in the End of Year update later in the report.
42. The team has also built a new Employer Website supported by Surrey County Council's Digital Team. This has now gone live and was launched to scheme employers in the employer newsletter issued on 30 September. The website was trialled with the District and Borough Councils first for early sight and feedback from this tranche of employers.
43. A new Surrey Pension Fund member website is also being developed in conjunction with Hymans who provide the website. All content from the previous site is currently being migrated to the new site, and this will go live

once all updates have been made.

44. A number of surveys are due to be issued during November 2021 in order to gather feedback from various customer bases and inform future improvements.
45. Quarterly meetings are now in place with HR and Finance representatives from the District & Borough Councils, and Surrey Police. This is an opportunity for colleagues from these scheme employers to raise any issues, provide feedback, and input into service improvements. Satisfaction surveys are issued to all attendees after the meeting and the results of these can be found at **Annex 5 (i) and (ii)**.

### **End of Year/Annual Benefit Statements/Annual Allowance**

46. The end of year process for Annual Benefit Statements (ABS) and Annual Allowance (AA)/Pension Saving Statements (PSS) has now drawn to conclusion following the statutory deadline of 31 August for ABS and 6 October AAPSS.
47. The service undertook a thorough communication process between June and August 2021, which ensured all members were contacted through the following channels:
  - a. Emails sent to members registered with MSS inviting them to view their latest statement.
  - b. Emails sent to members with an email address recorded on Altair but have not yet registered with MSS, inviting them to register with MSS to view their statement.
  - c. Where an email was returned as undelivered, a letter was subsequently sent inviting members to register with MSS.
  - d. Letters were sent to those members (including overseas members) where there was no email address on their Altair record, inviting them to register with MSS.
  - e. Paper statements were sent to members who opted out of digital communications.
48. All ABS' that could be produced were done so on time in line with the statutory deadline. A breakdown detailing the numbers of statements produced for Active and Deferred membership can be found below:

<b>Active Members</b>	<b>Totals</b>
Total statements produced	34,618
Statement produced with 2021 data	34,484
Statements produced using 2020 data	134

ABS' produced with 2020 data will be due to employers not supplying full pay information for 2021.

<b>Deferred ABS</b>	<b>Totals</b>
Statement Produced	36,261
Supressed due to gone away	4,251
Supressed due to calc error on record	192

Records where a calculation error has occurred will be require further investigation.

49. In addition to producing ABS', there has been a total of 96 AA statements produced for qualifying members, all produced and distributed in line with the statutory deadline.

### **Legacy Removal**

50. This project has now drawn to a conclusion and Mercer have ceased undertaking anymore work on the Undecided Leavers within the scheme. With some detailed validation checks having taken place between invoices and Altair, we can now confirm the total cases processed by Mercer is 15,352.
51. There will be some final validation checks taking place to ensure any cases still pending that were not complete due to a non-response from employers, are transferred back to the Surrey Pensions Team, which will form part of a working backlog that will need processing in due course.

### **Guaranteed Minimum Pension (GMP)**

52. The GMP Reconciliation Project has been progressing in recent weeks, with Mercer having undertaken some analysis comparing the HMRC data and the data held in our administration system. This analysis has led to Mercer being able to identify the number of members affected that will require rectification as shown below:

<b>Pensioner Members</b>		
<b>GMP Difference</b>	<b>Volume</b>	<b>Proposed Action</b>
Match	8,306	NFA
1p to 12p	3,120	NFA
Total – no further action (NFA)	16,825	
<b>Member range breakdown</b>		
13p to 52p	756	Rebalance
53p to £1.04	524	Rebalance
£1.05 to £2.00	523	Rebalance
Greater than £2	2,919	Rework
Total Rebalance/Rework	4,722	

Further review	597	
Under GMP age	1,978	Rebalance/Rework
Total	<b>24,122</b>	

<b>Deferred Members</b>		
<b>GMP Difference</b>	<b>Volume</b>	<b>Proposed Action</b>
Matches records	43,233	NFA
1p to 12p	0	NFA
Total – no further action (NFA)	43,233	
<b>Member range breakdown</b>		
1p to 12p	353	Rebalance
13p to 52p	400	Rebalance
53p to £1.04	248	Rebalance
£1.05 to £2.00	334	Rebalance
Greater than £2	2,148	Rebalance
Total Rebalance	3,483	
Further review	658	
Total	<b>47,374</b>	

#### ***Analysis Table information***

- a) Within the deferred membership, if the GMP wasn't an exact match the case has been classified as requiring rebalance.
  - b) Further review cases will be investigated as part of the next Phases of Rectification (Rebalance / Rework).
  - c) Under GMP age Pensioner members will require Rebalance or Rework depending on the type of retirement. In general, any active retirements will require rebalance and Deferred retirements requiring rework. The classification of these members will form part of the Rectification calculation stage.
  - d) Tolerance level is set at set at £2.00 per week as previously agreed and is based on the difference in the GMP amounts, either at Date of Leaving for Deferred members or current date for Pensioners.
53. The analysis at this stage cannot identify the detailed figures as to whether there is an under or overpayment, we are expecting this in the next phase of analysis once the data has been processed through Mercer's re-balancing application tool. We expect this to be supplied at the beginning of January 2022 in line with the plan.

54. Based on the agreed plans with Mercer and with the work still required to bring about the full rectification, timings are going to prevent the GMP rectification taking place pre 2022 pension increase.
55. Given this, it does not stop the Surrey Pensions Team to begin preparing for this work. The member communications element of the plan will now start so we can determine the best approach. Mercer have supplied basic template letters, for various scenarios and membership types, and these will be used to develop bespoke Surrey Pension letters within the next project phase.

## **McCloud**

56. The employer deadline set for 31 October 2021 for detailed returns to be sent back to the Pension Administration Team is drawing close, with 32 responses out of 127 received to date (as at 13 October 2021).
57. The communication frequency with employers has moved to a weekly basis for the month of October 2021, with email reminders being sent to those who have not yet provided the requested data.
58. Of those responses we have received, Surrey Pensions has not undertaken any quality checks at this stage. Once all responses have been received, a period of data validation will take place to ensure the information provided meets the expected criteria and formatting, which will allow for next steps to take place.
59. Work has taken place to test the interface tools developed by our supplier Heywood. The team will continue to engage in webinars and training sessions provided by Heywood, targeting the use of these tools and, providing updates in line with the evolving landscape of the McCloud remedy. These sessions offer valuable insight to not only understanding the action required but, also speaking with other pension providers to recognise any universal issues that may appear during testing.
60. The Surrey Pension Team has also been undertaking a period of discovery to determine the best possible approaches to carrying out the remediation work, with a view to present the options to the board for a decision at the next local board or, potentially before if required.

<b><u>CONSULTATION:</u></b>
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61. The Chairman of the Local Pension Board has been consulted on this report.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

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

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

63. Any relevant financial and value for money implications have been considered and are contained within the report.

#### **DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL**

64. The Director of Finance, Corporate and Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

65. There are no legal implications or legislative requirements.

#### **EQUALITIES AND DIVERSITY**

66. There are no equality or diversity issues.

#### **OTHER IMPLICATIONS**

67. There are no other implications.

#### **WHAT HAPPENS NEXT**

68. The following next steps are planned:

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

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#### **Contact Officers:**

Clare Chambers - Joint Acting Head of Administration  
Tom Lewis - Joint Acting Head of Administration  
John Smith - Pension Governance and Employer Manager  
Siva Sanmugarajah - Pension Process Manager

#### **Consulted:**

Local Pension Board Chairman

#### **Annexes:**

1. Quarterly Report Q2 July – Sept 2021
2. Membership Movement Analysis
3. MSS Monthly Figures SCC September 2021
4. Quarterly Report Engagement Education 30.09.21
5. Employer Meeting Feedback March and July 2021