

## SURREY COUNTY COUNCIL

## LOCAL PENSION BOARD



DATE: 18 FEBRUARY 2022

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE,  
CORPORATE AND COMMERCIAL

SUBJECT: ADMINISTRATION PERFORMANCE REPORT AND UPDATE  
1 OCTOBER TO 31 DECEMBER 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.

## Key Activity Summary

Activity / Project Area	Impact on Surrey Pension
<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 by the end of August 2022.</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 April 2022.</p>

## Performance Reporting

3. The performance figures in **Annex 1** report the performance for the period from 1 October to 31 December 2021.
4. The 2020/21 Internal Audit Report on Pensions Administration included a high risk finding on performance levels. The agreed action from this report was for the Pension Regulator (tPR) priority processes (Deaths, Retirements and Refunds) to consistently hit the KPI by the end of December 2021.

5. Whilst the report at Annex 1 shows the total performance for the quarter and provides evidence that the tPR priority cases exceeded target levels, **Annex 2** breaks down the quarter by months and shows that these targets were met each month. Prior to the Death process review, which took place at the start of the Covid Pandemic, Balance of Payments were not set out as a separate measure but were instead included in the measure for Death Benefits Payable. The Death Benefits Payable measure now just includes Death Grants, and the Balance of Payments measure includes balances of pension due to and from the Estate, plus any write offs.
6. Annex 2 also provides a comparison between performance in quarter 3 2021 and the same quarter last year. A particular highlight being the significant improvement in performance on Initial Death Notifications from an average SLA of 64% in 2020 to 98% in 2021. It is also important to note that the number of outstanding cases in this area has reduced from 93 in 2020 to 2 in 2021 (a decrease of 97%).
7. The improvement in this area can be attributed to the changes made to the process which ensures that pensions in payment are stopped immediately upon notification of the death, and an acknowledgement is sent promptly.
8. The number of outstanding cases at the end of December 2021 has reduced by 10% from the beginning of October 2021. This is mainly due to a review and clearance project being undertaken following the identification of a large number of duplicate cases in the Workflow. With the final London Borough exiting in January, there will be an increased focus on clearing the Surrey backlog going forward so we anticipate a continued decrease in the number of outstanding cases at the end of each quarter.
9. The total average SLA for all cases in Q3 was 88%, an improvement on the 82% in Q2 and 74% in Q1. The average SLA for tPR cases in Q3 was 97% (targets range from 80% to 90%) and the average number of days to complete the tPR cases in Q3 was 16 (SLAs range from 5 to 20 days). The average SLA for non tPR cases in Q3 was 83% (targets range from 80% to 90%) and the average number of days to complete the non tPR cases in Q3 was 82 (targets range from 10 days to 2 months). Performance on non tPR cases has been impacted by clearance of backlog cases.
10. The performance improvements achieved between April and December 2021 can mainly be attributed to the creation of an additional team that was set up to deal with casework for the London Boroughs and the transition to exiting the administration for these Funds. This allowed the other teams to concentrate solely on Surrey incoming casework. In addition, the team has focussed on completing each individual task within a case by its due date rather than the final due date for the overall case. All cases are made up of individual tasks i.e. processing a calculation, checking a calculation, approving a payment etc. This has meant that the work has been kept on track throughout the process rather than the team trying to complete all tasks within a case at the final deadline.

11. Other trends to highlight are an increase in the number of received cases (an increase of 33% from last quarter) and the number of cases completed (increased by 27% since last quarter). Plus, a reduction of 16% in the number of cases completed outside of SLA.
12. The increase in the number of cases received relates mainly to early leavers: refunds of contributions and deferred benefits entitlements. This is due to the usual increased number of leavers at the end of August (the end of the education year). Leaver notifications for these members are sent from employers after the September payroll close and subsequently actioned throughout Q3.
13. The areas where there has been a reduced number of cases completed outside of SLA are Survivor's Benefits and Death Benefit Payments. This can be attributed to the creation of a new team to focus solely on non-Surrey work, allowing the remaining teams to focus on improving performance for Surrey Pension Fund.
14. Whilst the Q3 report shows that 5 out of the 19 areas reported did not meet their target, the report for December 2021 shows that only 2 areas did not meet target. In addition, Q3's report indicates that 6 areas had an increase in the number of outstanding cases at the end of the period, however the report for December shows that only 4 areas had an increase in numbers.
15. One of these areas is Survivor Pensions. At the time of writing there are currently 36 outstanding cases. Fifteen of these cases have all the information needed for us to be able to progress, with 13 of these having future completion dates. Of the remaining cases outside of the 15, the majority are on 'hold' awaiting a response/completion of a claim form. Now that all London Boroughs have exited our administration, the additional team set up to deal with those exits are now able to move their focus to dealing with outstanding Surrey cases and their first priority is reviewing outstanding Survivor Pensions cases where we are still awaiting a response. Therefore, we should see significant progress/movement in this area during the next quarter.
16. There are currently 7 outstanding Ill Health Retirement cases to pay. Five of these cases have all the information needed for us to be able to progress, with 4 of these having future completion dates. Of the 29 Non LGPS Actual Transfer In cases that have all the information we need to progress, 16 have a future completion date. Finally, there are 17 Non LGPS Actual Transfers Out, with 7 of these having future completion dates.

## Administration Team Update

17. Following the success of the change to a manual method of allocating Workflow cases and the results showing an improvement in performance, a decision has been taken to trial the use of an automated process for allocating cases. This will release Team Leaders to re-focus their time on their team's development, further process improvements and reviewing of the backlog of work items. Following a successful trial, it is anticipated that this process will be implemented from March 2022.
18. Following the challenges experienced in extracting the data required from the administration system to produce the performance reports, discussions have been held with the software system provider to ascertain if there is a more automated and robust way of extracting the data.
19. New functionality in the software system has in built performance reporting capability that extracts all of the data required.
20. Work has been completed to build this to fit our requirements and parallel running has taken place to ensure the provision of accurate performance reporting data. We are confident that for future reports we will be able to rely on this new functionality to extract and report on performance. In addition, we have identified that the report can provide a wealth of management information that presents real time data on performance. For example, instant access to case volumes (received and outstanding in a given period), reporting on adherence to KPI and statutory targets, over target and not complete analysis at individual case level.

## Complaints

21. All complaints are logged and managed on CaseTracker (which is the Surrey County Council complaints case management system). When responding to complaints a standard response template is used which is built into the complaints tracker system.
22. The complaints policy is an integral part of the County Council's governance framework. We value customer complaints because of the opportunity they provide us to inform policy and improve service delivery.
23. Complaints are defined as: "an expression of dissatisfaction, however made, about any aspect of the pensions team people, services, activities or policies. This includes action taken, or services provided by people or organisations acting on our behalf"
24. During the period 1 October to 31 December 2021 a total of 6 complaints were received. Details of these complaints can be found at **Annex 3**. Two complaints were categorised as 'poor communication', two as 'service quality/delivery', one as 'procedure' and one as 'general enquiry'.

## **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.

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; and
- the Head of Pensions (Pension Fund and Treasury).

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

26. A member received two consecutive Annual Benefit Statements, erroneously overstating future pension benefits. The member later asked for a pension estimate based on being made redundant at a future date and the correct, lower, figure was supplied. The adjudicator acknowledged the disappointment this caused but explained that the Scheme can only pay the pension that a member is entitled to and refused the member's request for a guarantee that they would receive benefits to the value of the incorrect statements.

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

27. There were no Stage 2 appeals in this period.

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

28. The Pension Ombudsman has a considerable backlog. Surrey Pension Fund has responded to three complaints in the period: (1) disputes a refusal to award a Tier 2 ill health pension, (2) relates to refusal to provide the member with alternative figures after they had applied to take their pension from a specified date and (3) relates to a pension liberation case dating back to 2013, the member is complaining that due diligence was not undertaken before actioning their request to transfer out of the LGPS. The Ombudsman has ruled that he has jurisdiction to investigate this third case, despite the time that has passed. The Pension Ombudsman has indicated that it will be several months before he contacts us again in each of these cases.

## **Breaches of Law**

29. 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.

30. All breaches or suspected breaches are reported to the 'Responsible Officer'. The Responsible Officer is responsible for the management and execution of the breaches policy, and recording/reporting breaches and likely breaches.
31. 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.
32. There are no breaches to report for this period.

### **Pensions Helpdesk**

33. Between 1 October and 31 December 2021, the Helpdesk handled a total of 9,653 Surrey enquiries. 86% of all enquiries (covering all pension funds) were resolved at the first point of contact.
34. The team aim to respond to all e-mail enquiries within the corporate service level agreement of 3 working days. The team are currently responding to e-mails on the day of receipt and the volume of telephone calls is very low. This can be attributed mainly to the exiting of the London Borough Funds. The Helpdesk are still functioning on the same level of resource as pre-Fund exits and therefore have capacity to support the Pensions Team on various tasks.

### **Engagement and Education**

35. **Annex 4** provides a summary of the work carried out by the Engagement and Education Team.
36. Highlights include the Winter Employer Newsletter (**Annex 5**) and results from the 2021 Employer Survey (**Annex 6**).
37. The team also continue to promote the new Surrey Pension Fund Employer website ([Surrey Pension Fund for Employers](#)) and are pleased to announce that the new Surrey Pension Fund member website ([Home | Surrey Pension Fund](#)) has now gone live.

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

38. The GMP Reconciliation Project continues with the calculation phase, that will in time provide the necessary rectification figures, which will be applied after April when the annual pension increases have been applied. The table below is a reminder of the categories and numbers of cases identified for future rectification, with the figures representing the difference in pounds/pence per week.

<b>Pensioner Members</b>		
<b>GMP Difference (£ per week)</b>	<b>Volume</b>	<b>Proposed Action</b>
Match	8,306	NFA
1p to 12p	3,120	NFA
No GMP liability	5,399	NFA
Total – no further action (NFA)	16,825	
<b>Member range breakdown (£ per week)</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 (£ per week)</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 (£ per week)</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 isn't an exact match the case has been classified as requiring rebalance.
- b) Further review cases will be investigated as part of the next phase 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.

## **McCloud**

39. The deadline for employers to submit their McCloud data return was 31 October 2021. For employers that had not met this deadline, weekly reminders were issues throughout November and December.
40. Further communications were sent in January to alternative contacts of those employers who have yet to respond. To date full data from 99 employers has been received, 3 partial responses and 23 data returns are outstanding. The regulations confirming how to calculate compensation for McCloud cases is still awaited.

## **Horizon Planning**

### ***Annual Benefit Statements (ABS) for 2022 Planning***

41. With end of year fast approaching draft plans are being drawn up to manage this year's ABS and Annual Allowance exercises. Communications with all scheme employers are expected to begin at the end of February. Full plan details will be reported at the next meeting.

### ***Valuation Data Cleanse***

42. Work has begun in collaboration with the Fund actuary, Hymans Robertson, to agree plans for the valuation, covering all aspects of the process. Service Delivery have been specifically concentrating on the data cleansing of the member data, in preparation for the member data loads earmarked for July 2022.
43. Agreed checkpoints have been agreed with Hymans, with key milestone dates posted for March 2022, whereby it is anticipated all errors for the years 2020 and 2021 will have been corrected. This data will be supplied to Hymans at the beginning of April to carry out contribution modelling. All remaining data will be cleansed by the end of July 2022 and will be closely aligned with the EOY work, given the interdependencies between both work streams.

### ***Pension Increase 2022***

44. It is expected this work will begin in late February/early March. A schedule of works will be drawn up in the coming weeks, providing clarity on actions required. A full progress update will be provided at the next meeting.

**CONSULTATION:**

45. The Chairman of the Local Pension Board has been consulted on this report.

**RISK MANAGEMENT AND IMPLICATIONS:**

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

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

**DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL**

48. 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**

49. There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY**

50. There are no equality or diversity issues.

**OTHER IMPLICATIONS**

51. There are no other implications.

**WHAT HAPPENS NEXT**

52. 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:**

Colette Hollands – Head of Service Delivery  
Clare Chambers – Service Delivery Manager  
Tom Lewis – Systems and Support Manager

**Consulted:**

Local Pension Board Chairman

**Annexes:**

Annex 1 – Quarterly Performance Report Q3 Oct – Dec 2021  
Annex 2 – KPI Score Comparison  
Annex 3 – Surrey Complaints – 01.10.2021 – 31.12.2021  
Annex 4 – Quarterly Report Engagement & Education 31.12.2021  
Annex 5 – 2021 Winter Employer Newsletter  
Annex 6 – Employer Survey 2021