

SURREY COUNTY COUNCIL

LOCAL PENSION BOARD



DATE: 29 JULY 2022

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE,
CORPORATE AND COMMERCIALSUBJECT: ADMINISTRATION PERFORMANCE REPORT AND UPDATE
1 APRIL 2022 TO 30 JUNE 2022**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 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

Activity / Project Area	Impact on Surrey Pension
<p>McCloud: 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 Team 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>Regulations enacting this remediation work are not expected until October 2023.</p>
<p>Guaranteed minimum pension (GMP) Reconciliation Project: 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 the Surrey Pension Team to work with the HMRC to analyse data held on our system Altair and the data held by HMRC, with a view to full rectification by the end of 2022.</p> <p>This work will not only ensure that the fund has accurate member liabilities, 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 are awaiting further information as to the rectification costs.</p>

Performance Reporting

- Members will recall, at the last Local Pension Board meeting, the LGPS Senior Officer explained that the Surrey Pension Team Officers are looking at revising the KPI reports so that they cover all areas of the Service including Investments & Stewardship and Accounting & Governance along with Service Delivery. Work on identifying and agreeing the high level KPIs to be included for reporting in the future is continuing and will be presented to the LPB at its next meeting for consideration. As such this report does not include the usual performance table or any specific update on cases completed or outstanding

for both this reason and as some anomalies in reporting Service Delivery performance have been identified.

4. Historically the Service has collated KPI information by running a series of reports from the Altair database, that select the relevant workflow case types and the commencement and completion dates of the tasks within those cases. The data reported was then used to manually populate a table with the number of cases identified within each category and the performance against the service standard. This is a time-consuming manual process that requires amalgamating several reports of data from Altair.
5. An enhancement to Altair, Insights, provides a new mechanism for collecting KPI data. However, parallel running of both the manual and Insights reports over the last few months has identified anomalies between the two processes and investigations of these anomalies has identified a number of issues with how the data is being collected, collated and reported. The provision of KPI data from Insights is the preferred method of collecting performance data going forward. With Insights performance measurements can be accessed at any time allowing the team to regularly check progress against our standards and easily identify cases due which allows team managers to adjust staff resources accordingly.
6. It is proposed that the Service provides KPI data from Insights going forward with the process developed and verified in collaboration with Internal Audit, that ensures full data is captured from Altair Insights. As such agreement is requested for a reporting holiday whilst the new process is embedded.
7. The Service will provide an update on the Insights adopted process and the proposed format for reporting performance at the next meeting of the Local Pension Board.

Administration Team Update

8. The administration team has begun to settle into their new teams following the launch of the new structure from 1 May 2022. There has been two Immediate Benefits Officer resignations and recruitment is underway to fill these vacancies.
9. There has been some other internal movement within the team, with several successful promotions, leading to some additional recruitment required to backfill two Trainee Pension Officer positions.
10. Recruitment to the post of Benefits Processing Senior Manager is still ongoing. This role will continue to be covered on an interim basis by the Head of Service Delivery (Colette Hollands) and the Systems and Data Senior Manager (Tom Lewis).

Complaints

11. 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.

12. 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.
13. 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."
14. During the period 1 April – June 2022 8 complaints were received. Details of these complaints can be found at **Annex 1**. Upon reviewing these complaints, it has shown 3 of the 8 complaints relate to specific projects such as address tracing, backlog cases and the suspended pension review.

Internal Dispute Resolution Procedure (IDRP) and Pension Ombudsman Cases

Stage 1 appeals determined

15. There have been no new stage 1 appeals in this period. One case remains outstanding, because attempts to collect information from a former Scheme employer remain unsuccessful. The member is being kept fully informed

Stage 2 appeals determined

16. An employee of an admitted body complained that the administration of their pension had been transferred from Surrey CC to Berkshire CC without their consent. Her complaint was not upheld at Stage 1, because the transfer was statutory and did not require consent. The stage 2 adjudicator upheld the stage 1 decision.

Pension Ombudsman appeals

17. The Pension Ombudsman is considering a complaint from a member that they did not receive information that would have enabled them to ask Surrey Pension Fund to waive the actuarial reduction applied to the early release of their pension benefits. Surrey Pension Fund's response has been sent to the Ombudsman.
18. Surrey Pension Fund is awaiting the Ombudsman's adjudication on three outstanding complaints, all which date back to 2021.

Update on Log of Breaches (potential breaches)

19. In accordance with [the Breaches Policy](#) the Surrey Pension Team's Head of Service Delivery, in consultation with the Assistant Director – LGPS Senior Officer and the Director of Law and Governance, reports a breach of law in respect of 5 death grants paid two years or more after first being notified of the death of the member. Details of these are given at **Annex 2**. These breaches are not considered material however the Local Pension Board is asked to consider and comment accordingly.
20. Work is ongoing to identify refunds of contributions paid more than 5 years after the member left the scheme and these potential breaches will be reported back to the Local Pension Board in due course.

Pensions Helpdesk

21. Between 1 April and 30 June 2022, the Helpdesk handled a total of 16,881 Surrey enquiries. An average of 87% of all enquiries were resolved at the first point of contact.
22. The queries handled by the Helpdesk over this period are categorised as follows:

Communication Channel	Volume
Call backs	201
Email	9155
Telephone	7525
Total	16881

23. A breakdown of the top 5 queries for each month during the quarter can be found at **Annex 3**.

Engagement and Education

24. **Annex 4** provides a summary of the work carried out by the team.
25. Highlights include the website and member self-serve monthly statistics for May (**Annex 5**), the June Pension Team Newsletter (**Annex 6**), the Summer Employer Newsletter (**Annex 7**) and results from the April 2022 Retirement Process Survey (**Annex 8**).

Guaranteed Minimum Pension (GMP)

26. The Surrey Pension Team has received information from our third-party supplier that confirms the total number of members in scope and the proposed rectification approach.
27. The table below provides an overview of the total members in scope following completion of the reconciliation phase of the project:

Member Type	Total in scope	Records match	Records to rectified	Excluded
Pensioner	22,697	17,282	5415	2043
Dependent	3,882	3,055	827	910
Deferred	47,374	45,051	1710	613

Records match: The member records held on our database and those with HMRC match and require no further action.

Require rectification: These member records fall outside of the £0.12 per week tolerance and will be re-calculated using our supplier's bulk module, known as the delta approach.

Excluded: These member records have been excluded as they need further investigation before determining if rectification is relevant.

28. Work will now be carried out to assess the results provided in full and look to minimise the numbers that have been excluded at this stage. As a result of this assessment, this may lead to a series of trustee decisions to be made that will support the rectification approach.

McCloud

29. Work continues to obtain all the necessary information from our scheme employers with requests for data for all scheme members in line with the SAB recommendation, rather than only those members who were deemed as in scope.

30. As of 30th June 2022, a total of 106 returns have been received out of the 127 expected from employers/payroll providers, being one more than the last board update. In addition to this there have been 2 partial returns (1 more than last reported), 3 employers have stated they will not be able to provide the necessary information and 16 are yet to return any data.

31. Work will continue to request these returns and we will contact and support employers who have not yet provided the necessary data. For those who are unable to or do not hold the necessary data, clarification via the regulations will be needed on how this issue will be dealt with.

32. Work has continued with the Surrey Procurement Service to secure a contract with a third-party data quality specialist supplier using the LGPS National Framework. There have been some recent changes to service lots within the framework and once these have been implemented, the appointment of a third-party supplier to carry out data validation and accuracy checks on all employer returns will be completed.

Data Cleansing

Valuation Data Cleanse

33. During the period of April - June 2022 work has progressed well with the removal of data discrepancies held in the administration database. As of the 1 April 2022, the total number of discrepancies for year 3 of the valuation period (2021/2022) stood at 29,465 across all membership statuses. The total number at this stage was inflated due to the end of year returns not yet received, with the active member discrepancies accounting for 26,484 of these.

34. Whilst end of year submissions were pending from our employers the team focussed on undertaking analysis and carrying out rectification on all other statuses of pensioner, deferred, dependent members and frozen refund cases.

35. As of 30 June 2022, the total number of data discrepancies stands at 2739. Of these discrepancies we have identified in the region of 1500 of these to be

non-genuine issues and the final submission will be adjusted in agreement with the actuary. In addition to this a further 1000 of these are due to the current non-receipt of end of year returns from employers. Estimated figures will be used to overcome this if required with agreement with our actuary.

36. The agreed deadline for the final submission of all the valuation data is 22 July 2022 and we are on course to rectify all discrepancies where possible and submit by this date. In any circumstances where specific data cannot be rectified, details will be provided to the actuary and an agreed set of assumptions will be made.

Common & Scheme Specific Data Cleanse

37. Work has continued with the cleansing of data however the focus has predominantly been on processing the employer end of year returns, ensuring the data is complete and accurate. Simultaneously the team has been working through known data discrepancies to support the valuation data cleanse.
38. As at the 30 June 2022 the data quality score that is reportable to the regulator currently stands at 94.8%.

Address Tracing

39. The scope for member address tracing included the following categories:
- a. Members on status 2, 4, 5, 6 & 9* who have an unconfirmed address;
 - b. All suspended pensioners with an unconfirmed address;
 - c. Members where the NINO cannot be confirmed and was flagged as a data error; and
 - d. Those members over age 75 and not in receipt of their pension.

* Status 2 undecided leaver (benefit entitlement still to be established and calculated); status 4 deferred members; statuses 5 & 6 pensioners and dependants; and status 9 frozen (unclaimed refund entitlement).

40. The results of the address tracing exercise have been received from our appointed third-party supplier and are shown below. A full description of these results can be found in **Annex 9**.

Pension Increase 2022

41. The Team has been processing the supplementary pension increase payments due in respect of deceased members. This is the one area of the pension increase that is not calculated automatically and requires manual processing.
42. Of the 87 payments due, 54 of these have been processed with the remainder to be finalised in July. The interest due on these payments has been calculated in line with the regulations to ensure payment is made in full.

Annual Benefit Statements (ABS) for 2022

43. End of year returns have continued to be received over the last 3 months from either the scheme employers or their payroll providers. As at 30 June 2022, 300 out of the expected 307 returns have been received and processed.
44. To date a total of 42,719 deferred annual benefit statements have been issued. There has also been a total of 28,459 statements issued to active members. The team are on course to produce all possible statements by the required deadline of 31 August 2022.
45. A full update on the ABS provision will be provided at the next Local Pension Board meeting.

Pensions Administration System Developments

46. As part of our continued process reviews there have been developments with the Death process, leading to a redesign in both the 'notification' and 'balance of payment' stages.
47. There have been changes made to the workflows that will mean a more uniform approach for these cases, leading the team through the necessary data input screens within the system allowing for the variation in case types. In addition to this, updates have been made to the checklists and guidance notes to provide the team with further support where required. This change will allow for our administration system to be fully utilised, providing efficiencies and consistency for the team.
48. Work continues with cleansing the administration database to support the single Surrey Fund scheme requirements only. Our system supplier has run a series of reports that offer an overview of areas such as workflows, document types and employer codes. The Surrey Pension Team has undertaken an initial analysis of these reports to determine what needs to be kept and what should be removed.
49. Once this cleansing has taken place planning will begin for the system migration to the cloud-based hosting server platform. Initial conversations have taken place between Surrey Pensions Team and Surrey CC IT Services to understand the scope of this work.

Digital Mail Roll Out

50. As part of our continual improvement drive to improve the service to our members, approval was given via our internal governance process to implement the use of a digital mail service provision.
51. The service is provided by an internal mail house at Birmingham City Council under a partnership agreement with Surrey County Council. All incoming post for the Surrey Pension Team will be redirected to a new PO Box address in

Birmingham where it will be indexed, scanned, and loaded into a digital mailbox on a Surrey SharePoint platform.

52. From here the team will receive a daily notification once mail has been uploaded and is ready to transfer into our administration system and create the necessary case workflow.
53. All template correspondence has been updated with the new PO Box address as part of the Service Delivery adoption of digital mail, which commenced on 1 July. The Accounting & Governance and Investment & Stewardship Services will be looking to adopt digital mail with effect from 1 August.

Horizon Planning

Pensions Dashboards

54. Representatives of the Surrey Pension Team have been engaging with the LGA and other administrators across the country as part of the LPOG and SAPOG working groups. There has also been active engagement with our system supplier to understand the impacts this will have on our service, the system we have in place and the procurement requirements to secure the integrated service provider contract.
55. It has been proposed there will be three waves in the staging timeline for the roll out of the Dashboards, with Public Service Pension Schemes part of first wave. This in effect requires the Surrey Pension scheme to have this implemented by the end of April 2024 under the current projected time frame.
56. The Surrey Pension Team is ensuring it remains firmly engaged to stay up to date with this key work area and it is proposed that once valuation and end of year has been completed, attention will focus on the Dashboards requirements for data quality cleansing and any contractual needs.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL

60. 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

61. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

62. There are no equality or diversity issues.

OTHER IMPLICATIONS

63. There are no other implications.

WHAT HAPPENS NEXT

64. The following next steps are planned:

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

Contact Officers:

Colette Hollands – Head of Service Delivery
Tom Lewis – Systems & Data Senior Manager

Consulted:

Local Pension Board Chairman

Annexes:

Annex 1 - Complaints

Annex 2 - Breaches of Law

Annex 3 - Helpdesk Top 5 Queries

Annex 4 - Quarterly Report Communications & Training

Annex 5 - Website Report & MSS Monthly Figures

Annex 6 - June Pension Team Newsletter 2022

Annex 7 - Summer Employer Newsletter 2022

Annex 8 - Retirement Process Survey Report April 2022

Annex 9 - Address Tracing Results