

**SURREY COUNTY COUNCIL****LOCAL PENSION BOARD****DATE: 28 JULY 2023****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE AND COMMERCIAL****SUBJECT: ADMINISTRATION PERFORMANCE REPORT AND UPDATE  
1 APRIL 2023 TO 30 JUNE 2023****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><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 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><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 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 2023.</p> <p>This work will not only ensure that the fund has accurate member liabilities, but 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

3. The performance levels in this period have achieved an overall score of 83% and specifically for the tPR work areas this is 85%.
4. Performance has decreased overall during this quarter. Particular areas that have been affected include survivors' benefits and the acknowledgement of retirement. The team working on these cases have been operating with one vacancy for the quarter however, investigations are underway to identify and resolve the performance issues in this area.

5. **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**.
6. Additional information has also been supplied within **Annexe 3** that presents a summary of the most common categories of cases being terminated.

### **Complaints**

7. During this period there were 22 complaints received. Details of these complaints can be found at **Annexe 4**.

### **Internal Dispute Resolution Procedure (IDRP) and Pension Ombudsman Cases**

#### **8. Stage 1 appeals determined:**

Three appeals were determined in this period.

A member looking to retire received estimates but pay information used in calculating the benefits varied. Upon retirement the member experienced a delay in payment of the benefits. The Pension Team had difficulty in obtaining accurate pay information for the employer. The appeal was partially upheld, and the member awarded £500 compensation.

An employee appealed refusal of an ill health pension. The adjudicator determined that the medical opinion received was not sufficiently comprehensive and referred the application back for further medical opinion and reconsideration.

A member experienced delays at the point of retirement and elected for payment of their AVC fund as tax free cash. Upon disinvestment of the AVC, the value had fallen. The appeal was not upheld as AVCs are subject to market conditions and the member has already been offered £500 compensation for delays experienced.

#### **9. Stage 2 appeals determined:**

One appeal was determined in this period and not upheld.

A member applied to take their pension, after the age of 65, was not informed of pending changes to the late retirement uplift, which would have a detrimental effect on their benefits. At stage 1, the adjudicator determined that they should be given the opportunity to apply for their benefits to be backdated. The stage 2 adjudicator upheld the stage 1 decision.

#### **10. Pension Ombudsman appeals**

No new Pensions Ombudsman appeals were received in this period.

### **Update on Log of Breaches (potential breaches)**

11. There are no breaches to report this period.

## Customer Relationship Team

In quarter 1 the CRT handled a total of 11,191 enquiries. An average of 89% of all enquiries were resolved at the first point of contact. The queries handled by the CRT over this period are categorised as follows:

Communication Channel	Volume
Call backs	178
Email	5310
Telephone	5672
<b>Total</b>	<b>11,191</b>

12. A breakdown of the top 5 queries for the quarter can be found at **Annexe 5**.

## Guaranteed Minimum Pension (GMP)

13. At the previous Board meeting it was agreed a more detailed update would be provided, along with clarity on key actions from the project plan. Details are as follows.

14. In June 2023 all required member data was sent to Mercer. Using this data, analysis will now be carried out and it is expected that by 1<sup>st</sup> September 2023 all clean data will move to Mercers calculation team and, any discrepancies or exceptions will be reported back to Surrey Pensions for investigation.

15. It is expected by no later than January 6<sup>th</sup> 2024 a detailed report will be provided by Mercer presenting the financial impact on the members and the fund. This report will contain the details of over and underpayment figures plus, any cases that are categorised as a stalemate.

16. From here it is then expected all final calculations will be supplied to Surrey Pension Team by the end of January 2024, with a view of these being updated in the administration system.

17. This will trigger a large-scale engagement with the affected members, providing clarity over how it will affect their individual benefit.

18. It is therefore planned at the next Board meeting to propose a rectification approach which will allow the project to proceed on how to treat all affected members, both those who maybe over or under paid.

19. It should be noted that the project team are currently liaising with Mercer on the suggested dates within the plan, with a view to bring the dates forward, mitigating the risk of getting too close to pension increase in 2024.

## Annual Benefit Statements

20. The production of approx. 20,000 active statements and 40,000 deferred statements have been issued.

21. Communications will take place during July – August, alerting members their statement is available on the portal. Where members have opted out of digital communication, these will be printed and distributed in August 2023.
22. Work continues on processing the remainder of employer year end returns in line with the August 31<sup>st</sup> deadline.

### **McCloud**

23. Work continues to obtain all the necessary information from our scheme employers and currently 115 returns out of 127 expected returns have been received from employers/payroll providers. This is an increase of 2 returns from the previous quarter.
24. The team will continue to liaise with employers to obtain these returns and support employers who have not yet provided the necessary data. For those who are unable to or do not hold the necessary data, SAB guidance has been issued on how to deal with these and it will be factored into the remediation plans.
25. Work with our third-party supplier, who is carrying out data quality checks on all employer returns, has been fairly inactive in recent weeks as we await further data from Surrey County Council Payroll. After initial assessments it was recognised, key data was missing from their return and this would be required before carrying out further works.
26. It is anticipated the data will be supplied to Surrey Pensions by the 14<sup>th</sup> July 2023 and is being actively monitored by our designated Project Manager.

### **Pension Dashboard**

27. The recent announcement in June 2023 has confirmed go live date for the dashboard will be delayed. Whilst a connection deadline has been set for all schemes by October 31<sup>st</sup>, 2026, a transition plan is expected in the coming months, detailing specific dates for all schemes.
28. Whilst there has been a delay, the timeline is not expected to drastically change and therefore, work will continue with data cleansing to support the dashboard readiness. The service will use this extended period to rectify data discrepancies and, further embed data cleansing into day-to-day operations.

### **Legacy Case Reduction**

29. Information on this key work area can be found in the supplementary report.

### **Cost of Living**

30. Through various channels such as newsletters, annual benefit statements and by attending wellbeing events where possible, the service continues to provide support and guidance to members and employers, in relation to the current financial climate.

31. The LGA previously requested from all schemes within the LGPS to review their membership and identity any trends where this may have impacted scheme opt outs or moves to the 50:50 scheme.
32. Details of this can be found below and show no obvious links at this stage.

<b>Financial year ending</b>	<b>Opt out rates</b>
2019	22
2020	16
2021	26
2022	27
2023	30
<b>Total</b>	<b>109</b>

<b>Financial year ending</b>	<b>50/50 Scheme Changes</b>
2019	142
2020	167
2021	91
2022	131
2023	158
<b>Total</b>	<b>594</b>

### **Pension Administration System Developments**

33. In collaboration with our system supplier, the implementation of several enhancements has been completed or are in progress. Updates can be seen below:
- i. Retirement process review – in progress
  - ii. Transfer In process review - TBC
  - iii. Automated payroll arrears processing - complete
  - iv. Multiple payroll module - TBC
  - v. Address look up facility - complete
  - vi. Bank account verification - complete

### **CONSULTATION:**

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

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

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

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

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

**DIRECTOR OF CORPORATE FINANCE AND COMMERCIAL**

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

**LEGAL IMPLICATIONS – MONITORING OFFICER**

38. There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY**

39. There are no equality or diversity issues.

**OTHER IMPLICATIONS**

40. There are no other implications.

**WHAT HAPPENS NEXT**

41. 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:**

Tom Lewis – Head of Service Delivery

**Consulted:**

Local Pension Board Chair

**Annexes:**

Annexe 1 – Performance Summary  
Annexe 2 – Performance Trend Analysis  
Annexe 3 – Terminated Case Summary  
Annexe 4 – Complaints Summary  
Annexe 5 – CRT Top 5 Query Summary

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