

SURREY COUNTY COUNCIL

LOCAL PENSION BOARD



DATE: 26 MAY 2022

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE,
CORPORATE AND COMMERCIALSUBJECT: ADMINISTRATION PERFORMANCE REPORT AND UPDATE
1 JANUARY 2022 TO 31 MARCH 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 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 are awaiting further information as to the rectification costs.</p>

Performance Reporting

- The performance figures in **Annex 1** report the performance for the period from 1 January to 31 March 2022. **Annex 2** provides a comparison between performance and cases outstanding in quarter 4 2021/2022 against the same quarter last year.

4. Significant work has been undertaken to clear the backlog of outstanding cases. At the start of the quarter there were over 8,500 cases and at the end of the quarter this had reduced to c6,700 cases.
5. This quarter tPR priority cases (Deaths, Retirements and Refunds), except for Survivor's Pensions, met or exceeded the tolerable performance level during the period.
6. Whilst the Survivor's Pensions cases were just under the tolerable performance by 1%, the number of outstanding cases has reduced from 43 to 17. Of the 17 open cases at the end of the reporting period, 5 are on Reply Due awaiting receipt of further information/documentation to be able to progress. Of the remaining cases, all are still within target with completion dates beyond the reporting period.
7. The number of aged cases over 2 years old has reduced from 3,998 at the end of December 2021 to 2,461 at the end of March 2022. In addition, the number of aged cases between 6 months and 2 years old has reduced from 2,341 at the end of December to 1,633 at the end of March.
8. The average number of days to complete cases reduced from 58 during the October to December quarter, to 37 days during the January to March quarter indicating improved response times to customers.
9. The number of cases on Reply Due (i.e. awaiting receipt of further information/documentation to be able to progress) have reduced slightly to 1,338 at the end of March from 1,541 at the end of December.
10. The improvements mentioned above can be attributed to a reduction in the number of new cases received, from 9,613 during October to December, to 8,642 during January to March. With fewer new cases being received, this releases capacity to review and complete outstanding cases. In addition, with the exit of the final London Borough Fund being competed in the first month of this quarter, the hub 5 team that was set up to focus on non-new Surrey cases have been able to focus a significant amount of time on progressing outstanding cases.

Administration Team Update

11. The administration team has now transitioned into the new structure and has been renamed Service Delivery from 1 May 2022 with four new service managers for Membership & Data, Systems, Future Benefits, and Immediate Benefits.
12. Two of these managers' report to the Benefits Processing Senior Manager and this post is currently vacant. This role is being covered on interim basis between the Head of Service Delivery (Colette Hollands) and the Systems and Data Senior Manager (Tom Lewis). Recruitment to this key position is currently underway.

Complaints

13. 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.
14. 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.
15. 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."
16. During the period 1 January to 31 March 2022 only 1 complaint was received. Details of this complaint can be found at **Annex 3**. There were 3 other cases logged: a general enquiry requesting an e-mail address for a member of the admin team; an IDRPs logged as a complaint in error (being dealt with as part of the formal IDRPs process); and a case relating to a member of LB Hammersmith & Fulham Fund.

Internal Dispute Resolution Procedure (IDRP) Appeals

17. 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.
18. 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 Assistant Director – LGPS Senior Officer.

Stage 1 appeals determined

19. A member, who is close to retirement age complained that they had not been able to obtain an accurate statement of their pension benefits. Surrey Pension Team is awaiting further information from a previous Scheme employer and cannot yet issue a benefit statement. In an interim response the Assistant Director apologised for the delay and confirmed that the Service is actively pursuing a resolution. The stage 1 determination will be reported to the Board in due course.

Stage 2 appeals determined

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

Pension Ombudsman appeals

21. There are considerable delays in the Pensions Ombudsman’s process. Surrey Pension Services has responded fully to the three complaints previously reported to the Board, but these have not progressed further.

Breaches of Law

22. 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.
23. 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.
24. 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 Assistant Director – LGPS Senior Officer, the Director of Law and Governance, the Pension Fund Committee and Local Pension Board.
25. There are two main work areas that are currently being examined in accordance with the breaches policy: refunds paid more than 5 years after the member left the scheme and death grants paid more than 2 years after being notified of the death. Once the Responsible Officer has examined and considered these cases in line with the breaches policy, these potential breaches will be reported back to the Local Pension Board in due course.

Pensions Helpdesk

26. Between 1 January and 31 March 2022, the Helpdesk handled a total of 12,575 Surrey enquiries. An average of 87% of all enquiries were resolved at the first point of contact.
27. The queries handled by the Helpdesk over this period are categorised as follows:

Communication Method	Volume
Callbacks	143
Email	7,214
Telephone	5,218

28. A breakdown of the top 5 queries for each month during the quarter can be found at **Annex 4**.

Engagement and Education

29. **Annex 5** provides a summary of the work carried out by the Engagement and Education Team.
30. Highlights include the Spring Employer Newsletter (**Annex 6**), the Spring Active Member Newsletter (**Annex 7**), the March Pension Team Newsletter (**Annex 8**), the Pensioner Newsletter (**Annex 9**), and results from the January 2022 Retirement Process Survey (**Annex 10**).
31. The team has continued producing short member and employer videos. The latest video '[How To Retire](#)' provides easy to understand guidance on the retirement process.

Guaranteed Minimum Pension (GMP)

32. Our third-party supplier carrying out this work has confirmed a delay in providing the initial member analysis of those cases needing to be rectified. The deferred membership analysis has been completed in full however only 80% of the cases for our pensioner membership have been identified.
33. The remaining 20% is taking the supplier longer than expected to identify due to the complexity of multiple (or duplicate) membership records held on the pension administration system, Altair.
34. We will continue to manage and closely monitor the progress of this project to ensure it is delivered successfully as soon as possible.

McCloud

35. The DLUHC has confirmed it is considering further those members who will fall into scope of the McCloud remedy. It is now expected the McCloud remedy regulations will come in to force from October 2023 with backdating to April 2022.
36. However, work is continuing to obtain all the necessary information from our scheme employers, with requests for data for all members in line with the SAB recommendation, rather than only those members who were classed as in scope. This has meant no changes are required to our current plans for McCloud.
37. As of 30 April 2022, a total of 105 returns have been received out of the 127 expected from employers/payroll providers. In addition to this there has been 1 partial return, 3 employers have stated they will not be able to provide the necessary information and 18 are yet to return any data.
38. Work will continue and we will contact and support employers who have not yet provided the necessary data and, for those who are unable to or don't hold the necessary data clarification via the regulations will be needed on how this issue will be dealt with.

39. It has been agreed through the internal governance process that the we will procure the service of data specialist provider to support the initial phase of this project: checking that the data received from employers is complete.
40. Using the LGPS National Framework a third-party supplier will be selected to carry out data validation and accuracy checks on all employer returns. Due to the sheer number of spreadsheets being returned it was recognised the need to use a specialist in this area to ensure the data provides the information needed to apply the McCloud judgement.
41. Surrey procurement services are assisting the team with the necessary work and support to select a provider. Confirmation of this will be given at the July Local Pension Board meeting.

Data Cleansing

Valuation Data Cleanse

42. During the period of January to April 2022 extensive analysis and correction of known data discrepancies for the valuation years 1 and 2 (2019/20 & 2020/21) has been carried out.
43. The data discrepancies are identified following uploading of member data extracts from the pensions administration system into the Fund actuary's data validation portal. Using this data correction portal allows for targeted corrections to take place both in bulk and through individual updates.
44. As at December 2021 the total number of discrepancies was 7,995 across all membership statuses. Following undertaking corrections in areas, for example, as date of birth, address format, member contribution rates, dates of exit and joining the scheme, last pension increase date, the total reduced to 1,747 and these will now be carried forward for cleansing into year 3 (2021/22) cleanse project.
45. Of these 1,747 not all are genuine errors, with reporting dates creating false readings. All error corrections for years 1 and 2 of the valuation period have been cleared with year 3 work having now commenced from mid-April.
46. The agreed deadline with Hymans for a mid-July final submission is on course to be met with all discrepancies to be removed where possible. In any circumstances where specific data cannot be rectified, detail will be provided to the actuary and an agreed set of assumptions will be made.

Common & Scheme Specific Data Cleanse

47. The pension fund membership data is measured under two main headings: Common and Scheme-Specific data.

48. "Common data" consists of member data such as national insurance number, surname / forename or initials, gender, date of birth. date pensionable service started, membership status for example. "Scheme-Specific" data is that relating to members and their participation in the scheme and measures areas such as the scheme type, structure and design, member status movements and events that have taken place during membership. Common and Scheme-Specific data scores are given to the Pensions Regulator each year to demonstrate the Fund is managing its data accuracy year on year.
49. In previous years our pensions administration system supplier produced annual reports of the data scores along with a detailed overview of those data areas needing to be prioritised for correction. In effect these reports provided a snapshot in time of the accuracy of the data which in effect was immediately out of date once further processing of members has taken place.
50. With the introduction of a new reporting module as part of the new pensions' administration software contract, we can now run and access reports of the scores and data issues, in real time daily. This shift in accessibility and frequency of when we can access this data has led to a more fluid, targeted and insightful data improvement approach.
51. In line with the new Surrey Pension Team structure from May 2022, a designated team will be in place to deliver against a correction plan. This will be a constant and evolving plan that will be deployed to target priority areas and support with a more proactive style of data cleansing for large scheme events such as the fund valuation, production of annual Pensions Increase and Annual Benefit Statements.
52. Whilst this new service direction has been in transition work has been undertaken already making inroads on identified areas for improvement. This work has been carried out in conjunction with the valuation and in other more general areas that will support the day-to-day aspect of service delivery.

Address Tracing

53. The scope for address tracing has been finalised and includes the following:
- 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).
54. This work is being carried out by a third-party specialist supplier, as per the previous 3 years, to provide high quality checks and results.

Pension Increase 2022

55. The pension increase has been completed for 2022 with all necessary communications issued. Pensioners have received a letter detailing the pension increase applicable and the new annual amount of pension for the coming year, a pay advice for April, their P60 for the last tax-year and the latest pensioner newsletter.
56. There was however an unforeseen technical process issue that occurred that led to c930 members not having the increase applied in the April payroll. These members have been written to advising them of and apologising for this error and informing them that the issue will be corrected in their May payroll.

Annual Benefit Statements (ABS) for 2022

57. End of year returns have been received from scheme employers or their payroll providers. As at the time of writing, 218 out of the expected 307 returns received as of 30 April 2022.
58. Alongside end of year returns coming in, other preparatory work is underway which includes the production, sign off, upload and testing of the annual benefit statements for 2022. Validation of data sets such as employer returns and all deferred member data is being undertaken to check its accuracy and integrity is fit for purpose.
59. Given it is early in the “end of year” process, the return rates received to date are relatively positive. With this being a valuation year, the employers have been reminded of the importance of providing early accurate returns and we hope to see a further increase in employer returns in the coming days/weeks.
60. The overview of the full ABS plan is given in **Annex 11**.

Horizon Planning

Pensions Administration System Developments

61. Engagement with our pensions administration software provider has taken place to carry out a period of discovery of the current administration application, looking into the functionality available that will support the drive for service improvements.
62. Work has begun to review two key processes, deaths and transfers out, in collaboration with our system provider to maximise the system use and its automation with the goal of delivering the best possible experience for our scheme members.

63. Work has been initiated to explore the use of the bulk deferred calculation functionality which will offer a more efficient way of processing these cases. Initial testing has been carried out and final implementation steps are underway to launch this process change at the earliest point.
64. With the Surrey Pension Team now undertaking the administration for the Surrey Pension Fund only, the administration database will now need to go through a period of cleansing in areas such as the scheme structure, workflow set ups, documentation and user role requirements. Working in collaboration with our system provider, this work will commence in May 2022 with aim to be completed in June 2022.
65. After a recent assessment of our current server provisions, whereby our pension database is locally hosted on site in the Surrey County Council data centres, it has been approved via our internal governance process that we will migrate our pension database to a cloud platform on our software provider servers.
66. Having assessed the benefits, risks and costs of all potential options it was proposed that the migration to a cloud-based platform with the current supplier would support key areas such as businesses continuity, cyber security, system specialist support and the good governance initiative.
67. This server migration is likely to take place in the summer of 2022 which will allow for pre-requisite work such as the system cleanse to be completed beforehand. It will also allow for key work areas such as end of year and valuation to be completed.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL

4. 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

5. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

6. There are no equality or diversity issues.

OTHER IMPLICATIONS

7. There are no other implications.

WHAT HAPPENS NEXT

8. 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
Tom Lewis – Systems & Data Senior Manager

Consulted:

Local Pension Board Chairman

Annexes:

Annex 1 – Quarterly Performance Report Q4 Jan – March 2022
Annex 2 – KPI Score & Case Comparison Q4 2021 & 2022
Annex 3 – Complaints – Q4 Jan – March 2022
Annex 4 – Pensions Helpdesk top 5 Queries
Annex 5 - Engagement & Education Q4 2022
Annex 6 – Spring Employer Newsletter
Annex 7 – Spring Active Member Newsletter
Annex 8 – March Pension Team Newsletter
Annex 9 – Pensioner Newsletter
Annex 10 – Retirement Process Survey
Annex 11 - EOY ABS Plan

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