

SURREY COUNTY COUNCIL

LOCAL PENSION BOARD



DATE: 11 NOVEMBER 2022

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE,
CORPORATE AND COMMERCIALSUBJECT: ADMINISTRATION PERFORMANCE REPORT AND UPDATE
1 JULY 2022 TO 30 SEPTEMBER 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 Service Delivery team requested a reporting "holiday" to allow time to move the reporting process to the Altair Insights application going forward. The Board will also recall that parallel running of KPI reports under the old and new methods had identified anomalies that needed to be investigated.
- Over the last few months, we have been working with our software provider to help us understand the capabilities of Insights and how we transition to reporting KPIs via Insights.

5. **Annexe 1** provides an update on performance for the quarters April to June and July to September, along with commentary explaining our performance and the challenges faced in meeting our SLAs. There is still some work to complete with regards to reporting our performance. As part of the investigative work undertaken over the last few months, we identified a continuing issue with “terminated” cases. These are work items that are set up incorrectly (duplicated, in error or not relevant for the work type). This needs to be explored further to understand why terminated cases are created and if this is a training issue.
6. The Board is asked to consider and comment, specifically on the information provided and whether the report layout is suitable and provides sufficient information and detail.
7. Work continues with creating a whole service KPI report that covers all areas of the Service including Investments & Stewardship and Accounting & Governance along with Service Delivery. And this will be presented to the LPB at its next meeting for consideration.

Administration Team Update

8. Staff movements during this period led to internal promotions for three of the team (one Immediate Benefits Officer and two Future Benefits Officers) and the appointment of one external Immediate Benefits Officer and two new Trainee Pension Officers. We have one vacant position of Future Benefits Officer which is currently being recruited.
9. 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

10. During the period July – September 2022 9 complaints were received of which 6 were fully or partly justified. Details of these complaints can be found at **Annexe 2**.

Internal Dispute Resolution Procedure (IDRP) and Pension Ombudsman Cases

Stage 1 appeals determined

11. Three appeals were determined in this period, two of which were upheld.
 - a) An employee, working for a third-party provider was approaching retirement and had not received an ABS for several years. In investigating the complaint SCC established that it had not been receiving all the necessary information to calculate their benefit entitlement. SCC agreed to calculate a provisional benefit statement and to pay £500 compensation for the inconvenience and distress caused.
 - b) An LGPS member who 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. The adjudicator determined that they should be given the opportunity to apply for their

benefits to be backdated.

- c) The third appeal concerned an ill health retirement which was not upheld.

Stage 2 appeals determined

12. No Stage 2 appeals were determined in this period

Pension Ombudsman appeals

13. Following discussion with a PO case assessor SCC has agreed to give late consideration to an application to waive the actuarial reduction applied to the early release of a member's pension benefits.
14. A member received an inaccurate estimate of pension benefits, which informed their decision to take early retirement. SCC awarded the member £1,500 at stage 2 of the IDRP. The member disputes the amount of compensation.

Update on Log of Breaches (potential breaches)

15. There were no reported breaches this period.

Pensions Helpdesk

16. Between 1 July and 30 September 2022, the Helpdesk handled a total of 15,146 enquiries. An average of 89% of all enquiries were resolved at the first point of contact. The queries handled by the Helpdesk over this period are categorised as follows:

Communication Channel	Volume
Call backs	225
Email	9101
Telephone	5820
Total	15146

17. A breakdown of the top 5 queries for the quarter can be found at **Annexe 3**.

Engagement and Education

18. **Annexe 4** provides a summary of the work carried out by the team.
19. Highlights include the September Pension Team Newsletter (**Annexe 5**) and the Employer Newsletter (**Annexe 6**).

Guaranteed Minimum Pension (GMP)

20. There has been minimal progress made since the last update. Whilst efforts have been made to obtain the final data that will support the process of making key decisions and understanding the financial impact this will have, due to a series of delays in receiving this from our third party supplier, the project is unable to progress at present.
21. Some work has continued focussing on providing further member information and clarification to our third-party supplier to enable as many members to be

captured within the full rectification process, minimising the number of exclusions.

22. There is currently open dialogue being had to re-plan this work and agree a new timeline. This will be communicated to the board in due course.

McCloud

23. Work continues to obtain all the necessary information from our scheme employers and currently 113 returns out of 127 expected returns have been received from employers/payroll providers. This is an increase of 7 since the last the last update. However, 3 employers have stated they will not be able to provide the necessary information.
24. We will continue to chase 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, clarification via the regulations will be needed on how this issue will be dealt with.
25. Work will shortly commence on validating the employer data received with a third-party data specialist undertaking this on our behalf. The validation work will include a comparison with the data held in our administration database, along with formatting and accuracy checks.
26. Data query files will be re-submitted to our employers for clarification. Validated accurate data will be interfaced to our pension administration system. We anticipate this analysis work to be completed by 31 December, with employer queries distributed and follow-on actions to be undertaken in between January and March 2023.

Data Cleansing

Address Tracing

27. Following analysing the address tracing results and determining the order of works, the SPT has focussed initially on pensioner member records (including dependents) where the record was either suspended or in payment without a confirmed address.
28. A full update on the total numbers where addresses have been updated and/or follow-on action has been carried out will be provided on completion of this exercise.

Annual Allowance (AA) for 2022

29. The annual allowance work commenced immediately after the Annual Benefit Statement production had ended.
30. A total of 279 members were identified from the initial reports that could potentially require an AA statement. This was revised to 129 after further checks were undertaken that identified the annual allowance had been

exceeded. Statements were produced and sent to 119 members by the statutory deadline of 6 October 6. The remaining 10 cases are currently pending an employer response before the statement can be issued.

Pensions Administration System Developments

31. Work continues with cleansing the administration database to support the single Surrey Fund scheme requirements only. Analysis has been carried out on the reports run by our system supplier which included areas such as workflows, document types and employer codes.
32. Instructions have been given to the system supplier on what information can be deleted as part of this cleansing and the deletion will be undertaken in our “test” environment in early November 2022. Once this has been carried out, the same reports will be run on the “live” environment in preparation for our database moving to the hosted service.
33. In parallel to the system cleanse, the work to migrate the pension administration database from Surrey County Councils servers to our system suppliers hosted server is underway. Representatives from our system supplier, SCC IT Services and the Surrey Pension Team have formed a project working group to work collaboratively over the next few weeks.
34. The project has so far seen the extraction of the pension administration data copied on to a secure, pin protected, hard drive and subsequently uploaded into the hosted servers in preparation for creating the new cloud-based test environment.
35. A high level of testing is now taking place from October and the planned go live date has been set for early December 2022.

Digital Mail Implementation

36. This 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 is directed to a PO Box where it is indexed, scanned and loaded into a digital mailbox on a Surrey SharePoint platform.
37. This new process has been in place since 1 July for Service Delivery and 8 August for our Accounting & Governance and Investments & Stewardship teams.
38. The ratio of digital post received in comparison to physical post has increased significantly and this is being reflected in the numbers with July having a total of 111 items received via digital post, increasing to 238 in August and 666 in September.

Pensions Dashboards

39. The Government launch of 'Dashboards Awareness Week' provided an opportunity for members of the Surrey Pension Team to attend daily webinars about the dashboards initiative.
40. Two key dates have emerged to be aware of:
- a) 30th September 2024: Dashboard digital architecture needs to be in place, linking the Dashboard to the pension administration database.
 - b) 1st April 2025: Pension value data must be provided on the Dashboard for members to view.
41. Further work will be required to begin planning the procurement exercise to identify a suitable Integrated Service Provider (ISP) and focus the data improvement plans to support the introduction of the dashboard. Further information will be supplied in due course.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL

45. 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

46. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

47. There are no equality or diversity issues.

OTHER IMPLICATIONS

48. There are no other implications.

WHAT HAPPENS NEXT

49. 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:

Annexe 1 – Performance Report
Annexe 2 – Complaints Qt 2
Annexe 3 - Helpdesk Top 5 Queries
Annexe 4 - Quarterly Report Communications & Training
Annexe 5 - September Pension Team Newsletter
Annexe 6 - Autumn Employer newsletter 2022