

SURREY COUNTY COUNCIL

LOCAL PENSION BOARD



DATE: 17 FEBRUARY 2023

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE,
CORPORATE AND COMMERCIALSUBJECT: ADMINISTRATION PERFORMANCE REPORT AND UPDATE
1 OCTOBER 2022 TO 31 DECEMBER 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 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 80% and specifically for the tPR work areas this is 86%.
4. The performance levels have reduced during this quarter. The impact of staff absences through annual leave and sickness plus, the Christmas period has been a contributing factor. In addition, there has been a significant increase of work with Transfers to reduce responses and chaser queries pending with the Customer Relationship Team.
5. **Annexe 1** provides an update on performance for this quarter, along with commentary explaining our performance and the challenges faced in meeting our SLAs. In addition, a comparative quarterly performance trend analysis has been provided in response to the Board and Committee request 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.
7. Reducing the backlog is high priority and plans are being developed, with consideration given how to best resolve this work. This will include the age of cases, the quantity, financial impact on the member/fund and its complexity. To support these plans output analysis will be carried out to assess resourcing requirements needed for the removal of legacy work.
8. As previously raised at Board, a whole service KPI report that covers all areas of the Service including Investments & Stewardship and Accounting & Governance along with Service Delivery was being designed. Please find attached a draft version of this report for Board review and feedback in **Annexe 4**.

Administration Team Update

9. Staff movements during this period saw an internal promotion for one of the Trainees to a Future Benefits Assistant Officer. There has also been the appointment of two further Trainees.
10. In addition, approval was given to recruit a further three Trainees to support the service wide operational requirements. The Trainee Team members will form part of a flexible workforce that will work across all sections of the service including Accounts & Governance and Investment & Stewardship, providing additional resource for key work areas.
11. With the appointment of a new Head of Service Delivery, the two senior operational management roles have been reviewed and recruitment will begin shortly.

Complaints

12. During this period there were 10 complaints received of which 7 were fully or partly justified. Details of these complaints can be found at **Annexe 5**.

Internal Dispute Resolution Procedure (IDRP) and Pension Ombudsman Cases

13. Stage 1 appeals determined

A stage 1 appeal against refusal of an ill-health pension was determined. The adjudicator was not satisfied that the Independent Registered Medical Practitioner (IRMP) had given sufficient consideration to the complexities of the member's role and the length of time recovery might take. The case was referred back to the IRMP to address those matters in more detail.

14. Stage 2 appeals determined

There was one stage 2 appeal in this period and it was not upheld.

15. Pension Ombudsman appeals

A dispute over the date a member's pension went into payment was settled through the early resolution process.

Update on Log of Breaches (potential breaches)

16. There are no breaches to report this period.

Customer Relationship Team

17. In quarter 3 there were a total of 10,166 enquiries, with 60% of these resolved at the first point of contact (FPC). The queries handled by the Customer Relationship Team over this period are categorised as follows:

Communication Channel	Volume
Call backs	159
Email	5653
Telephone	4354
Total	10,166

18. The reduction of the FPC this quarter is due to the targeted work in reducing the transfer email backlogs. A breakdown of the top 5 queries for the quarter can be found at **Annexe 6**, where for December 2022 two of the top queries registered were linked to the Transfer process.

Engagement and Education

19. **Annexe 7** provides a summary of the work carried out by the team.

20. Highlights include the October (**Annexe 8**), November (**Annexe 9**) and December Pension Team Newsletter (**Annexe 10**) and the winter edition of the Employer Newsletter (**Annexe 11**).

Guaranteed Minimum Pension (GMP)

21. Due to unexpected delays with our third-party supplier, the decision has been taken to postpone the rectification of members GMP until after the 2023 pension increase.
22. The revised timelines proposed by the supplier fell within a critical period of carrying out the pension increase, leading to the decision to postpone this work. A revised project plan is expected by the end of February.
23. In order to maximise the success of the GMP rectification work and minimise the number of cases that may potentially be out of scope due to data discrepancies, work has now been allocated across the Data Quality and System Teams to investigate and update member records in the pension database.

McCloud

24. 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 no change from the previous quarter.
25. 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, clarification via the regulations will be needed on how this issue will be dealt with.
26. Working in collaboration with a third-party data specialist the analysis of employer returns is continuing. Initial findings have identified some employers will need to provide additional information.

Pension Dashboard

27. With the eco-system connectivity dates set for September 2024 and the expected go live date set for April 2025, the data cleansing approach and plans are underway.
28. Work has begun on rectifying data discrepancies that will support the initial connectivity. Ensuring the accuracy of basic member details such as title, name, date of birth, national insurance number will allow for a successful member match between the database and the dashboard.
29. Further planning is taking place to expand the full scope of data cleansing. This will be done in conjunction with our system supplier who are developing reports and tools that will support dashboard readiness.

Pension Administration System Developments

30. The migration of the pension administration database from the on-premise Surrey County Council servers to, our suppliers cloud-based hosting servers was successfully completed. This went live on December 21st, 2022.

31. In collaboration with our system supplier, a program of works has been agreed to deliver a number of improvements to the system that will support the day-to-day operations. These include:

- i. Retirement process review
- ii. Transfer In process review
- iii. Automated payroll arrears processing
- iv. Multiple payroll module
- v. Address look up facility
- vi. Bank account verification

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL

35. 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

36. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

37. There are no equality or diversity issues.

OTHER IMPLICATIONS

38. There are no other implications.

WHAT HAPPENS NEXT

39. The following next steps are planned:

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

Contact Officers:

Tom Lewis – Head of Service Delivery

Consulted:

Local Pension Board Chairman

Annexes:

Annexe 1 - Performance Report

Annexe 2 - Performance Trend Analysis

Annexe 3 - Terminated Case Summary

Annexe 4 – Surrey Pension Team KPI Draft

Annexe 5 - Complaints Qt 3

Annexe 6 - Helpdesk Top 5 Queries

Annexe 7 - Quarterly Report Communications & Training

Annexe 8 - October Pension Team Newsletter

Annexe 9 - November Pension Team Newsletter

Annexe 10 – December Pension Team Newsletter

Annexe 11 - Winter Employer newsletter 2022

This page is intentionally left blank