

**SURREY COUNTY COUNCIL****LOCAL PENSION BOARD****DATE: 10 NOVEMBER 2023****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL****SUBJECT: ADMINISTRATION PERFORMANCE REPORT AND UPDATE  
1 JULY 2023 TO 30 SEPTEMBER 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

3. The performance levels in this period have achieved an overall score of 80%.
4. Performance has decreased overall during this quarter with the most affected areas being those that require the payment of a benefit, such as retirements. Whilst there were signs of improvement during August, with survivor benefit performance improving by 16% from July, there are still inconsistencies to be resolved.
5. Investigations have been carried out to identify the root cause of these issues, with early indications showing a combination of staffing levels, the diversion of resources to support annual allowance and, an increase in queries / chasers via the Customer Relationship to the back office. There have also been notable delays in receiving data caused by the introduction of MySurrey within Surrey CC, which is impacting the priority order of case work. More detail can be found in the Risk Register – Financial System Update.
6. It is the highest priority within Service Delivery to address the drop in performance and action has been taken to support both the short and long term needs. These include deploying additional resources in the Immediate Benefits Team to increase output, re-allocating the less complex tasks to other areas of the service and identify training and best practice needs within the team.
7. **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**.
8. Additional information has also been supplied within **Annexe 3** that presents a summary of the most common categories of cases being terminated.

## Complaints

9. During this period there were 16 complaints received. Details of these complaints can be found at **Annexe 4**.

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

### 10. Stage 1 appeals determined:

One appeal was determined in this period and upheld.

A LGPS member who had previously opted out of the scheme, but then retired from their employment a considerable time later, experienced initial delays in receiving an estimation of their pension entitlement, followed by a further delay in payment of the benefits. The appeal was upheld, and the member accepted compensation for delays experienced.

### 11. Stage 2 appeals determined:

One appeal was determined in this period and not upheld.

The appeal was for a member who 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 at stage 1 as the adjudicator determined AVCs are subject to market conditions and the member had already been offered compensation for delays experienced. The stage 2 adjudicator upheld the stage 1 decision.

## 12. Pension Ombudsman appeals

No new Pensions Ombudsman appeals were received in this period.

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

13. There are no breaches to report this period.

## Customer Relationship Team

14. In quarter two, the CRT managed a total of 10,811 inquiries. At the initial point of contact, an average of 85% of all enquiries were successfully resolved. The queries managed by the CRT during this period are grouped into the following categories:

Communication Channel	Volume
Call backs	107
Telephone	5143
Email	5561
<b>Total</b>	<b>10,811</b>

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

## Guaranteed Minimum Pension (GMP)

16. Work has continued to resolve any discrepancies supplied in a recent report provided by Mercer. This analysis compared a recent data set to the existing data used by Mercer to identify any potential areas of investigation, including items such as change of membership status and service date inconsistencies.

17. Mercer will continue to carry out preliminary calculations up to December 2023 and, remain on target to provide the necessary data and reports in early January. These reports will provide the full understanding of the financial impact this will have on the fund and its members.

18. A key aspect of this rectification work is the approach that will be taken to correct pensioner benefits where required. The proposed approach has been taken in line with SAB guidance:

- a. Any member who has had their pension benefit underpaid will have this corrected and backdated. This will also include the payment of any interest due.
- b. Any member who has been overpaid will have their benefit amended from an agreed date (TBC) and will not be back dated.

19. In both cases this will only be applied to members where the difference identified is £10 or more/less per annum

20. Other key works carried out in this period include reviewing the letters due to be issued to affected members and agreeing final versions. A formal request has been made to the system supplier to implement and test the required module in the coming weeks in collaboration with the system team.
21. It is anticipated the GMP rectification work will be completed, and all affected members informed by the end of February 2024, prior to the commencement of the pension increase exercise.

### **Annual Benefit Statements & Annual Allowance**

22. 34,104 active and 42,719 deferred statements have been produced. This represents 99.5% of the total membership for whom a statement was due.
23. 180 members were in scope for the annual allowance process. Of this number 171 have been issued with the correct correspondence by the statutory deadline of 6<sup>th</sup> Oct 2023. The remaining 9 cases include 4 going through their final checks, with 5 requiring additional investigation to process accordingly.

### **McCloud**

24. The expected employer data returns total remains at 117 out of 127, which represents circa. 95% of the expected member data.
25. Work with a third-party supplier, who are carrying out data quality checks on all employer returns, is now able to progress with Surrey County Council having provided the necessary data on the 4<sup>th</sup> Oct 2023. The outcome of this work is to provide Surrey Pensions with data in a ready state to be uploaded to Altair and, identify where any data discrepancies will need further review.
26. With the regulations having now come into effect on the 1<sup>st</sup> of Oct 2023, the administration software has been upgraded to meet the requirements of the McCloud judgement.
27. There are some areas of the system that require further development to optimise the functionality such as bulk calculations. Additionally, it has been necessary to place both Club and Interfund cases on hold where a member qualifies for underpin. This approach has been adopted in line with LGA guidance as the scheme awaits the published actuarial guidance on how these should be calculated.
28. Other areas under consideration for Service Delivery will be to review and update process guidance documentation, update member correspondence, and actively engage and monitor areas still open to development with the software provider. All of which will be accounted for as part of the McCloud project group.

## **Pension Dashboard**

29. Pensions Dashboard remains a high priority and work continues with preparation for go live with targeted efforts being made to cleanse the scheme member data such as name, date of birth, NINO and addresses to support the member matching process.
30. The system supplier, Heywood, has provided the Surrey Pensions Team with a data readiness report. This report has used live data from within the system and produced a series of reports and analysis, which will be used to prioritise the cleansing process.
31. With expected go live dates in 2025/26 preparation will continue in this area, with the Systems and Data Quality teams playing a key role in the readiness plans.

## **Legacy Case Reduction**

32. Since the last board meeting the Legacy Team has successfully recruited a full team, who have undergone key training and begun processing casework.
33. As outlined in the legacy proposal, by the end of quarter two Surrey Pensions had set a target of reducing the backlog by 10%.
34. As at 30<sup>th</sup> September 2023 this target had been exceeded and the reduction level stands at 18% comprises the following:
  - a. 1273 cases processed in full, including over 1100 deferred cases.
  - b. 643 cases terminated. Having reviewed these cases, it was identified many cases had an open workflow on a completed case. Many of these were from a previous backlog reduction exercise.
  - c. 418 cases have been re-classified. For example, undecided leaver cases have now been allocated the correct case workflow or, the case required an aggregation rather than being deferred.
35. The procurement process commenced week commencing 23<sup>rd</sup> October to secure the services of a third-party supplier to support in the reduction of transfer, aggregation and concurrent cases.

## **Data Quality Scores**

36. Each year Surrey Pensions is required to provide data scores as part of the annual scheme return. The data is split into two categories.
  - a. Common Data which relates to member data such as name, date of birth, national insurance number.
  - b. Scheme Specific Data (SSD) refers to member information held to process a benefit such as their status or events taken place during membership.

37. The data scores for 2023 are as follows:

<b>Data Type</b>	2021	2022	<b>2023</b>
Common Data	95%	96%	<b>96%</b>
Scheme Specific Data	95%	98%	<b>98%</b>

\*These scores represent the presence of data on a member record

### **Pension Administration System / Process Developments**

38. 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 – Complete
- ii. New entrants process review – in progress
- iii. Multiple payroll module – in progress

#### **CONSULTATION:**

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

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

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

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

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

#### **DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL**

42. 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**

43. There are no legal implications or legislative requirements.

#### **EQUALITIES AND DIVERSITY**

44. There are no equality or diversity issues.

#### **OTHER IMPLICATIONS**

45. There are no other implications.

#### **WHAT HAPPENS NEXT**

46. 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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