

# Agenda Item 7

**Report to:** Pension Board  
**Date:** 9 September 2019  
**By:** Chief Operating Officer  
**Title of report:** Pension Administration updates  
**Purpose of report:** To provide general updates to the Pension Board on matters relating to Pensions Administration activities.

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## **RECOMMENDATION – The Board is requested to note the updates.**

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### **1. Background**

1.1 East Sussex County Council (ESCC) is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the East Sussex Pension Fund (the “Fund”). The LGPS is governed by statutory regulations.

1.2 The Pensions Administration Team (PAT) based within Orbis Business Services carries out the operational, day-to-day tasks on behalf of the members and employers of the ESPF and for the Administering Authority. They also lead on topical administration activities, projects and improvements that may have an impact on members of the LGPS. There are currently four key projects that are being overseen by the PAT and are part of the pension’s legislative requirements.

### **2. Report Overview - Pensions Administration updates**

2.1 This report provides an update on these four key projects, which are:

- Annual Benefits Statement (ABS) Exercise
- Membership Data Cleanse / Triennial Valuation
- GMP (Guaranteed Minimum Pension) Reconciliation
- Administration System Review

### **3. Annual Benefit Statements (ABS) – update**

3.1 The ABS process is carried out annually and its purpose is to actively manage and monitor all employers associated with the ESCC fund. The employers are required to submit their end of year pay information by the set deadline of 30 April 2019 as part of the LGPS. As part of the end of year process, the ABS to all active and deferred members is to be produced by the regulatory deadline of August 31 2019.

The majority of Fund employers provided good data in a timely manner. However, a number of Fund employers failed in their obligation to provide timely, accurate and complete information on their employee pay data, which is critical to the completion of the ABS process. Engagement by PAT and Fund Officers with contacts at the employers has been pro-active, supportive, extensive and frequent in order to maximize the receipt of information and clarification of queries.

Late production of ABS, or production on known out of date information, is a regulatory breach. PAT and Fund Officers worked closely on trying to close out as many of the remaining queries as they could. For those queries not resolved by the employers, Officers decided to not produce ABS on out of date information. The final position on ABS production by 31<sup>st</sup> August 2019 is attached as Appendix 1. Fund Officers are currently discussing next steps and assessing whether the breach is reportable.

An incorrect contact reference on the ABS (which should have been corrected in the 2017/18 exercise) was also identified after the main production runs had been completed. The reference was updated and the PAT went above and beyond in order to reproduce and publish the ABS before the 31<sup>st</sup> August deadline.

3.2 Alongside the ABS production, improvements were made to increase member and employer engagement, and reduce the volume of enquiries, including:

- 3.2.1 A promotional and explanatory video.
- 3.2.2 Promotional posters for employer offices.
- 3.2.3 Improvements to the ESPF website and FAQs.

Please see Appendix 1 for more detail.

#### **4. Membership Data Cleanse / Triennial Valuation**

4.1 Updates were provided during the June meeting regarding the ongoing data cleanse project to address current guidance from the Pensions Regulator (TPR) on data management and to ensure a best practice approach to completing the triennial valuation final submission.

4.2 The PAT worked closely with the Actuary and Fund Officers to reduce the number of critical errors and influential warning errors. As agreed, final data was loaded into the actuary portal on 28<sup>th</sup> June as planned, however a review by Hymans dated 18<sup>th</sup> July recommended further investigations and provided assumptions to remove remaining critical errors on the extracted data. PAT re-planned and re-prioritised existing work and in order to carry out the new requirement for work urgently in support of the valuation exercise and with the additional benefit of further data cleansing on Altair between 28<sup>th</sup> June and 8<sup>th</sup> August, the number of critical errors was reduced to zero. PAT produced a comprehensive audit trail of changes made to the extracted data and subsequently consolidated all of those changes into a summary in order to support Hymans in their next stage of valuation work. Please see Appendix 2 for more detail.

#### **5. Guaranteed Minimum Pension (GMP)**

5.1 As reported in the last meeting, Mercer, previously known as JLT, were contracted to manage the GMP reconciliation and liaise with HMRC to achieve an agreed position on membership and GMP amounts. Progress has continued well with the majority of queries matched, and progress to date is laid out in Appendix 3, along with the actions to take place over the next quarter by Mercer.

5.2 The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension might be incorrectly amended. This can result in underpayments and overpayments, at a member specific level. Stage 3 of the GMP Reconciliation Project, i.e., Rectification will amend LGPS pensions in line with the reconciled Stage 2 GMP information. This stage will also involve a significant member communication exercise from November to explain the changes taking place.

Please see Appendix 3 for more detail.

#### **6. System Review**

6.1 The contract with Heywood for the pension administration system is ending in 2021. In view of this, a timetable for procuring a new system has been prepared and the Project Manager has started the system review of the market by gathering information on the available pension administration systems. This includes holding workshops with ESPF stakeholders during June to ensure the system in use for the Pension Administration service continues to meet the necessary requirements for all members within the partnership. A consolidated report on the series of workshops will be produced for the November meeting of the Pension Board.

6.2 The Pensions Administration Service is moving forward with a digital transformation that will see an increase in the use of self-service for members and employers, plus more efficient processes within the administration service. Please see Appendix 4 for more detail.

#### **7. Key Performance Indicators**

7.1 The performance in the period May to July has been very good. There has been no overdue cases' resulting in member disadvantage.

## **8. Staffing Update**

8.1 Two members of the team have been successful in being promoted into vacant positions. Recruitment is underway to backfill the positions they have vacated. Two experienced temporary members of staff are being used to cover vacancies. Two members of staff are currently on long term sickness absence.

8.2 The PAT leadership team are developing a training plan to increase the level of professional qualifications through PMI and CIPP. This investment in the development of the workforce, will improve retention, develop skills and knowledge, increase resilience and ultimately provide an improved service to members and employers.

## **9. Reporting Breaches Log**

9.1 The Fund maintains a log of all breaches of the law as applicable to the management and administration of the Fund. It is necessary that all incidents of breaches identified are recorded in the Fund's breaches log, and the log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour on an ongoing basis.

**Kevin Foster**  
**Chief Operating Officer**

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Key to Appendix colour ratings:

**Green** – project is on track, no issues to report or note.

**Amber** – project has issues that are being managed, needs to be closely monitored

**Red** – serious issues, project is off track, recovery plan required.



## End of Year & Annual Benefit Statements

### Highlight Report – EOY & Annual Benefit Statements – Project Phase: In close down

Date of Report:	2 <sup>nd</sup> September 2019	Upcoming Milestones		
Project Lead	Tom Lewis	Item	Due (* = estimated)	Status
Prepared by:	Harvey Winder	First active and Councillor run	End of June	Complete
Project RAG Status	Amber	Deferred statements sent for distribution	7 <sup>th</sup> Aug	Complete
<b>Project Scope</b>		Members comms for Actives	12 <sup>th</sup> August	Complete
To actively manage and monitor all employers associated with ESPF to submit their organisations end of year pay information by the set deadline of 30 <sup>th</sup> April 2019 as part of the LGPS. As part of the end of year process, the Annual Benefit Statements are to be produced by the regulatory deadline of 31 <sup>st</sup> August 2019.		Final ABS run and reconciliation	30 <sup>th</sup> August	Complete

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### Project Summary

Scheme	Total Active Records	Records with a 2019 ABS	Records Missing a 2019 ABS	Records with an Estimated Pay Statement	Total Deferred Records	Deferred ABS printed and distributed	ABS not produced due to "gone away"
East Sussex Pension Fund	21,574	21,316 (98.8%)	258 (1.2%)	0 (zero)	31,716	20,712 (65.3%)	11,004 (34.7%)

The accounts published figures of Actives at 23,646 and Deferred at 30,916. At time of submission, the PAT are bridging the membership movement between the two sets of figures.

**As a result of the Call Credit tracing exercise done some time ago, and before the introduction of GDPR, a decision was made to mark deferred member records where the Call Credit traced address was different to the address held on system. This appears to be a prudent action as there would have been risk of sending ABS to (potentially) out of date addresses. This significantly increased the gone away population from the previously reported figure of 7,200 in 2018.**

**This month we will be commencing the tracing exercise we discussed earlier this year in order to baseline our deferred address status and an input into our Data Improvement Plan discussions.**

#### **Key Risks & Issues**

<b>Item</b>	<b>RAG</b>	<b>Detail</b>	<b>Action/Update</b>
<b>Unresolved queries by employers</b>		As per the schedule above, there are employers who have not yet returned the answers to queries. Fund Officers are assessing next steps on resolution and regulatory breach.	Engagement between PAT, Fund Officers and employers has been extensive, pro-active, and frequent in order to try and resolve as many queries as possible in time for ABS.

## Data Cleansing

### Highlight Report – Data Cleanse – Project Phase: In close down

<b>Date of Report:</b>	9 <sup>th</sup> August 2019	<b>Upcoming Milestones</b>		
<b>Project Lead</b>	Tom Lewis	<b>Item</b>	<b>Due</b> (* = estimated)	<b>Status</b>
<b>Prepared by:</b>	Harvey Winder	Compass modelling	30 <sup>th</sup> April	Complete
<b>Project RAG Status</b>	<b>Amber</b>	End of year data checking / processing (completed returns)	7 <sup>th</sup> June	Complete
<b>Project Scope</b>		Resume data cleansing for all remaining errors	3 <sup>rd</sup> June	Complete
		Final data load for Hymans	28 <sup>th</sup> June	Complete
		Supplemental data load for Hymans and audit trail of changes	8 <sup>th</sup> Aug	Complete
		Summary of changes to support Hymans	16 <sup>th</sup> August	Complete

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With the valuation taking place in July 2019 this project is to clean fund data held in the administration system, Altair, to ensure the contribution rates for the next 3 – 4 years can be set with the highest level of accuracy.

### Project Summary

The data cleanse work on Altair has been submitted for the purposes of valuation. The data cleansing was continuous up until the supplemental load on 8<sup>th</sup> August 2019 for the purposes of valuation. The errors relating mostly to employer queries and submissions that the Admin Team were in a position to clear down were done so.

As directed by Hymans, PAT carried out further changes to the extracted data to treat remaining errors and reduce warnings using assumptions. PAT and

Fund Officers worked collaboratively with Hymans to achieve this. A full audit trail of changes was delivered to Hymans on 9<sup>th</sup> August. A further summary and narrative description was produced to help Hymans on 16<sup>th</sup> August.

It is recommended that a joint approach should be explored between the Fund Officers and PAT to plan how and what areas of data could be incorporated into the data improvement plan.

#### **Key Risks & Issues**

<b>Item</b>	<b>RAG</b>	<b>Detail</b>	<b>Action/Update</b>

## GMP Current Position

### Highlight Report – GMP – Project Phase: In delivery

Date of Report:	9 <sup>th</sup> August 2019	Upcoming Milestones		
Project Lead	Amy Wallace	Item	Due (* = estimated)	Status
Prepared by:	Harvey Winder	JLT & Fund workshop	30 <sup>th</sup> May	Complete
Project RAG Status	<b>Green</b>		Define reconciliation process	Oct / Nov
<b>Project Scope</b>		Member rectification on admin system	Nov / Dec	On schedule
This project seeks to complete a GMP Reconciliation between the data held by the ESCC Fund and HMRC records from the point ITM (phase 1 contracted supplier) completed the initial bulk analysis and raised queries with HMRC. Phase 2 work will include Data gathering, member reconciliation and rectification work to be undertaken by the contracted supplier Mercer up until 100% completion.		Communicate with affected members	Nov / Dec	On schedule

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### Project Summary

The guaranteed minimum pension reconciliation work has been in the delivery phase since September 2018 after it was contracted out to a chosen supplier, Mercer. This supplier has taken on 100% of the work with a designated team based both in the UK and India, with only minimal support required from the administration team should information be unavailable on the administration system, Altair.

Progress continues to be good :

- 99.25% of membership is now matched. 63,557 queries were resolved to achieve this.
- 99.14% of GMP values are now matched. 60,459 queries were resolved to achieve this.
- 5,206 queries are remaining for review (not including any outstanding HMRC responses).

The next actions to take place for Mercer include:

- Continue to review the outstanding cases that require manual review (5,206 cases)
- Review final HMRC responses
- Completion / Finalise data gathering phase
- Rectification commences

The communication between the PAT and Mercer sees weekly conversations at project level, fortnightly reports on movement analysis and, a monthly steering group meeting with the service management team, to ensure the work remains on track for completion. It is anticipated the liability amounts for ESPF will be provided by Mercer in October/November time.

#### **Key Risks & Issues**

Item	RAG	Detail	Action/Update



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## System Review

### Highlight Report – System Review – Project Phase: In discovery

Date of Report:	2 <sup>nd</sup> August 2019	Upcoming Milestones		
Project Lead	Mark Spiller	Item	Due (* = estimated)	Status
Prepared by:	Harvey Winder	ESCC Fund workshop	13 <sup>th</sup> June	Complete
Project RAG Status	Green	End of BA discovery	12 <sup>th</sup> July	Complete
<b>Project Scope</b>		Formation of the initial project board	1 <sup>st</sup> Sep	On schedule
Review the market and the available pension administration systems to ensure the system in use for the Orbis Pension Administration service continues to meet the necessary requirements for all members within the partnership.		Finalisation of Business Case.	24 <sup>nd</sup> Sep	On schedule

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### Project Summary

The BA has produced a number of key documents including an outline draft business case and a non-functional / functional specification, which will be used as part of a potential tendering process. This document has been produced following working shops with all funds and internal staff. With extensive root to market research.

Work now begins of forming the project board and finalising the Business Case. Whichever path is chosen, the admin service is aiming to move forward with a digital transformation that will see an increase in the use of member self-service for members and employers plus, more efficient processes within the administration service.

Engagement with Surrey Procurement in order to follow due governance process and inclusion on forward planning for Cabinet is happening to plan.

Appendix 4

### Key Risks & Issues

Item	RAG	Detail	Action/Update

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## East Sussex Pensions Administration - Key Performance Indicators 2019

	Activity	Measure	Impact	Target	Feb-19		Mar-19		Apr-19		May-19		Jun-19		Jul-19	
	Scheme members	Pensioners, Active & Deferred			Volume	Score										
	New starters set up				434		410		547		225		424		372	
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	12	100%	8	100%	9	100%	17	100%	9	100%	5	100%
1b	Award dependent benefits (Death Grants)	within 5 days	H	95%	7	100%	10	100%	7	72%	8	100%	6	100%	7	100%
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%	121	98%	125	98%	100	94%	97	97%	86	98%	103	97%
2b	Payment of lump sum made	within 5 days	H	95%	93	100%	89	99%	131	100%	119	95%	94	100%	106	100%
3	Calculation of spouses benefits	within 5 days	M	90%	20	100%	15	100%	12	100%	15	100%	16	100%	15	100%
4a	Transfers In - Quote (Values)	within 10 days	L	90%	56	98%	50	100%	27	93%	28	100%	30	100%	39	100%
4b	Transfers In - Payments	within 10 days	L	90%	15	86%	23	91%	28	100%	10	100%	19	100%	18	100%
5a	Transfers Out - Quote	within 25 days	L	90%	48	98%	32	97%	21	95%	26	100%	27	97%	23	91%
5b	Transfers Out - Payments	within 25 days	L	90%	25	92%	7	100%	5	100%	11	100%	9	90%	9	100%
6a	Employer estimates provided	within 7 days	M	95%	22	96%	21	95%	41	83%	31	81%	32	97%	23	96%
6b	Employee projections provided	within 10 days	L	95%	39	95%	60	97%	50	98%	64	97%	35	91%	34	91%
7	Refunds	within 10 days	L	95%	40	100%	76	100%	35	100%	30	97%	45	96%	37	100%
8	Deferred benefit notifications	within 25 days	L	95%	193	98%	282	100%	164	99%	147	100%	197	100%	171	98%
	<b>TOTAL TASKS COMPLETED</b>				<b>691</b>		<b>798</b>		<b>630</b>		<b>603</b>		<b>605</b>		<b>590</b>	
9	Complaints received- Admin					0				2		1		0		
	Complaints received- Regulatory															
10	Employer survey satisfaction	Overall satisfaction (V Satisfied/satisfied)		90%												
11	scheme member satisfaction rating (from 1 Click email feedback)				34	95%	30	90%	46	79%	26	85%				
12	Retiring Member survey satisfaction	Overall satisfaction (Excellent/good)		90%												
13	Compliments received					2				1		1		2		

OVERDUE CASES RED-AMBER		FEB	MAR	APR	MAY
2a	Retirement notification acknowledged, recorded and documentation sent				6 Cases Overdue by avge of 1.5 days. Longest overdue by 4 days

1b	Award dependent benefits (Death Grants)
2b	Payment of lump sum made
4a	Transfers In - Quote (Values)
4b	Transfers In - Payments
5b	Transfers Out - Payments
6a	Employer estimates provided
6b	Employee projections provided

[Redacted]

2 Cases  
Overdue  
by avge of  
1.5 days.  
Longest  
overdue  
by 2 days

[Redacted]

2 Cases  
Overdue  
by avge of  
10 days.  
Longest  
overdue  
by 10  
days

[Redacted]

2 Cases  
Overdue  
by avge of  
1.5 days.  
Longest  
overdue  
by 2 days

[Redacted]

7 Cases  
Overdue  
by avge of  
2 days.  
Longest  
overdue  
by 5 days

[Redacted]

6 cases  
over due,  
max days  
4 days,  
average 2

[Redacted]

[Redacted]

[Redacted]

[Redacted]

7 cases  
overdue.  
Reply due  
not being  
utilised. 4  
with  
sufficient  
narrative.  
3 without.

ESPF LPB – PAT Actions Tracker for LPB on 9<sup>th</sup> September 2019

Action Number	Recommendations / Actions	Action Owner	Action update
7.6	The Chair asked whether the discrepancy threshold of £2 meant a total of 4p a week, which would amount to £2.08 over the course of the year. AM said he would confirm how the figure of £2 is arrived at.	Andrew Marson / Chloe Painter	<b>Update provided by Chloe Painter on 29th July 2019</b> Karen Scott has confirmed that the discrepancy threshold is £2 per week, meaning a total of £104 over the course of a year. This figure was the recommended tolerance from LGA (which is in line with the Pensions Industry). I have also sent Andrew a document which highlights this in further detail
7.17	The Chair said it was worrying to see Award dependent benefits (Death Grants) target missed given the impact this can have on families who may be in immediate need of assistance. He also asked that the KPI summary include details of what the longest overdue cases were, not just average, as it can be difficult to see any improvements particularly when all targets are green.	Clare Chambers	<b>Update provided by Julie Pelham on 29th July 2019</b> In 6 months 3 cases have been overdue: 1 overdue by 2 days 1 overdue by 1 day The average days overdue is 2 days.

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