

**Report to:** Pensions Committee

**Date:** 24 September 2018

**By:** Chief Operating Officer

**Title:** Pensions Annual Benefit Statement 2018 update

**Purpose:** Provide the Committee with oversight of ABS exercise carried out by Business Operations on behalf of the East Sussex Pension Fund.

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### ***Recommendation***

**The Committee is recommended to consider and comment on the report.**

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## **1 Introduction**

1.1 This report has been prepared to inform the Committee of the status of the recently completed annual benefit statement (ABS) exercise. The production of the statements serves to provide scheme members with an overview of their contributions and forecasted benefits at point of retirement. The exercise involves issuing statements to Active members (c 25,000) and Deferred members (c 29,000) across the East Sussex Pension Fund.

## **2 Statutory compliance**

2.1 It is with regret that Business Operations reports that 10% of active member statements (2,586) were not issued before the statutory deadline of 31 August 2018.

2.2 Following the production of the statements prior to the deadline, an administrative error was identified which had resulted in certain member records across a number of employers (66) to be placed in "complete" status when in fact information required to enable a statement to be produced, was in fact missing. As an example, CARE contributions were omitted from being updated.

2.3 At the time of writing this report, Business Operations has initiated investigations to fully understand the cause and identify the checking process failures that led to this very disappointing outcome.

2.4 Internal audit has been commissioned to lead an independent review and an update on findings will be provided to the Committee.

2.5 In respect of remediation, Business Operations has undertaken urgent activity to correct the records affected by checking and completing the validation required. A verbal update will be provided to the Committee confirming completion of this and the subsequent production of the delayed benefit statement.

2.6 A regular programme of updates was provided to the Board throughout the data gathering and preparation exercise designed to provide confidence that the learnings from previous ABS exercises were in place. With late employer returns in previous years leading to difficulties in meeting the deadline, it was encouraging to secure the employer end of year returns in good time compared to previous years. This makes the discovery of this unforeseen administrative error extremely disappointing.

2.7 Despite this much improved process, one employer failed to provide their return prior to 31 August. This resulted in the 32 employees of Gildredge House Free school not being sent a statement prior to the deadline.

2.8 Employees of the above employer were written to prior to 31 August to inform them of the position which included advising that they are able to access their pension benefits via the online portal. This will show information relating to the position at end of March 2017.

2.9 An internal breach report has been issued to the monitoring officer and Section 151 Chief Finance Officer to consider the materiality of the incidents described above and if required, will inform the pension regulator.

### 3 Communication

3.1 The Committee will recall the introduction of self service in 2017 enabling scheme members to access their personal record of pensions contributions and benefits. This facility also provides the ability to view the annual statement. Since introduction, various campaigns have taken place to encourage online registration such as reference in Newsletters, email receipts and posters in East Sussex County Council & Brighton & Hove City Council buildings.

3.2 To further encourage registration of the online portal and to reduce the volume of paper statements issued this year, 9,920 members who had yet to register but where an email address was held, were sent an email in early July promoting the benefits of the portal.

3.3 By the end of July, a total of 14,430 members had registered for online access, compared to 3,300 at the end of August 2017. All of these members were sent an email informing them their statement was available for viewing on the self serve portal. Any undeliverable emails were noted in the record to receive a paper statement.

The following describes the split of members receiving online invitations and paper statements;

|                    | Date sent          | Active members | Deferred members |
|--------------------|--------------------|----------------|------------------|
| Online invitation  | w/c 23 July        | 12,130         | 2,300            |
| Paper statements   | w/c 20 August      | 10,414         | 19,500           |
| Delayed statements | 21 September (TBC) | 2,586          | 0                |
| Suppressed         |                    | 0              | 7,200            |
| <b>TOTAL</b>       |                    | <b>25,130</b>  | <b>29,000</b>    |

### 4. Deferred member records

4.1 As is common across all LGPS schemes, the Administration is responsible for ensuring the data held for members is up to date. This includes addresses where communication would be sent. Inevitably, as members move home and are no longer an employee, difficulty arises for communications such as benefit statements to be issued to the correct address.

4.2 The Administration relies on members advising of a change of address which is not necessarily always achieved through direct communication with the Pensions team. Whilst there are certain methods used to capture changes, most commonly through previous employer notifications, there is a requirement to ensure regular exercises are carried out to validate addresses held.

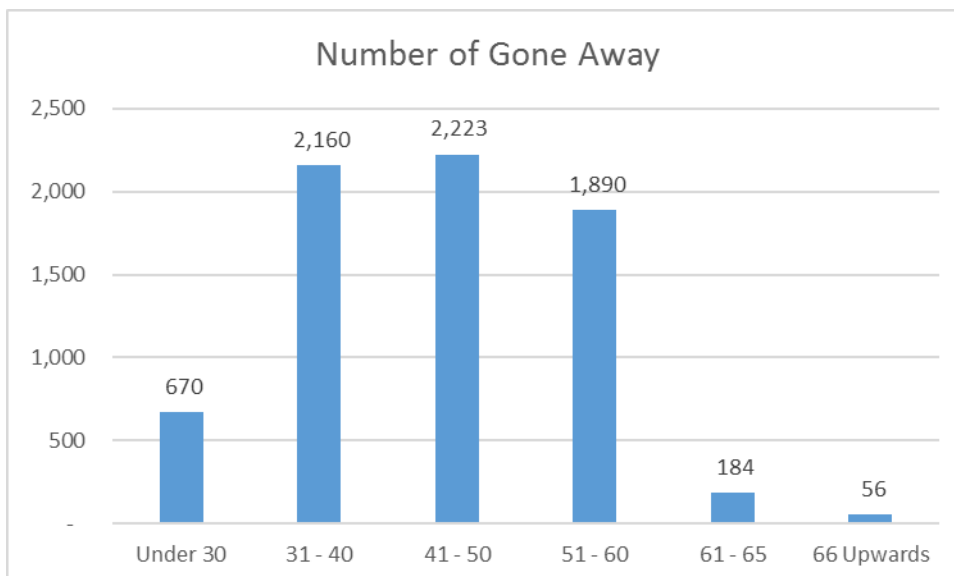
4.3 The production of deferred member statements this year resulted in the suppression of 7,200 records which were recorded as "gone aways." This represents an increase from 5,000 records last year. The proportion of such records is 25% of the deferred member database. This compares to a range of 3 - 34% of other Authorities who responded to a request to allow us to compare. 6 out of 12 Authorities chose to respond to the request.

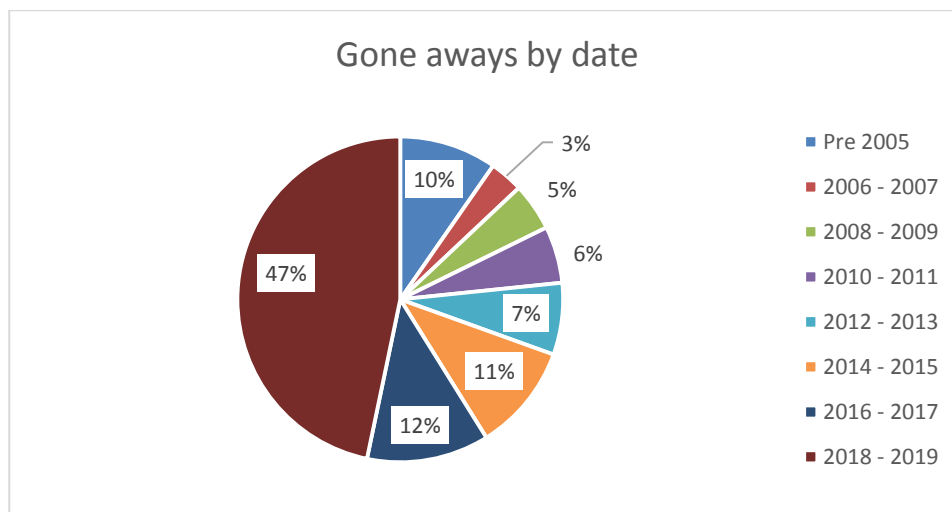
4.4 The Committee may recall that an exercise was carried out earlier this year to try and reduce the number of records which are in such status from mailing. A third party specialist tracing organisation was commissioned to locate new addresses for such records.

4.5 Whilst the response to the work provide some new addresses, located through a variety of sources such as HM Revenue & Customs, Department of Work and Pensions, County Court Judgements etc, the confidence level provided with such new addresses was not regarded as sufficiently high enough to commit to a change of address on the member record prior to issuance of an ABS. In consideration of General Data Protection Regulations (GDPR) and through discussions with the Governance team it was decided to avoid the data protection compliance risk and not use these potential new addresses for the issuance of a benefit statement – a confidential, personal document. Furthermore, as part of this exercise, records where the address held by the search agency and that held within the Pensions Administration team did not match, this record was placed into the gone away status.

4.6 A separate exercise will commence in the next 2-3 months which will involve writing to the new address (no personal information included), inviting the member to view their LGPS pension details by registering to access their record on the self service portal using the necessary personal information required to validate. This in turn will update the status on the member record. The Board will be advised of the progress over the course of future Board meetings.

4.7 The following charts shows the materiality of deferred members where the status is “gone away” in relation to their current age and how long they have been in that status.





4.8 The total liability value of these members, excluding lump sums is £6.8M annual benefit.

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