

**Report to:** Pension Board

**Date:** 5 November 2018

**By:** Chief Operating Officer

**Title:** Annual Benefit Statement breach

**Purpose:** Provide the Board with a summary of the circumstances which led to a breach

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## **RECOMMENDATIONS**

**The Board 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 Board of the breach which occurred as a result of failing to produce and deliver all annual benefits statements prior to the statutory deadline of 31 August 2018.

### **2 Context**

2.1 The East Sussex Pension Fund (ESPF) is required to produce an annual benefit statement before the 31<sup>st</sup> of August each year for all active and deferred members. As at 31 March 2018, the date the statement is based on, the number of active members in the scheme is 25,064 and there are 29,386 deferred members. The number of members who were due to receive an ABS but we failed to issue prior to the deadline was 1,288 – all active members.

2.2 With the exception of one employer, Gildredge Free School, the Administration team had successfully secured all employer returns this year in good time to enable the team to update records and produce the ABS in advance of the deadline.

Member statements were produced in late July for those able to access their statement online with paper statements issued w/c 20 August for the remaining.

### **3 Cause of breach, effect and rectification**

3.1 Following the production, it was understood that all members had been issued with a statement.

3.2 On 29<sup>th</sup> August, the Administration became aware of an issue with a member who contacted the Governance team to query why they had not received their statement.

3.3 Upon review of this member record and the other staff of this employer, an error was identified in the processing of the record to the “complete” status where actions to correct queries or errors on the record were still outstanding. This meant such records were unable to have an Annual Benefit Statement (ABS) generated despite the complete status.

A member of the Administration team had failed to action corrections required, partly as a consequence of inexperience, partly due to the fact no reconciliation control is in place to relate the actual number of statements produced are in line with that expected.

3.4 Upon learning of the issue relating to the individual member not receiving their ABS, immediate action commenced to identify the cause and what needed to take place to rectify. Corrections were made to records affected across this employer and as a consequence ABS's were issued for the 56 members prior to the statutory deadline of 31 August.

3.5 Whilst this action successfully dealt with the known errors relating to this employer, further analysis across the Fund was required to understand if further member records were similarly affected. This analysis was completed on 6<sup>th</sup> September and it was identified that up to 2,500 active member records were also affected by this error.

3.6 An immediate programme of correction was undertaken which resulted in 3 team members being dedicated to resolve the records identified and correct where appropriate. During this exercise over 1,000 records were identified as un-notified leavers and as a consequence would be omitted from an ABS being issued, a not un-common status where employers fail to supply leaver forms to the Pension administration.

3.7 The total number of members affected was finalised at 1,288. All statements were issued by 20 September 2018.

#### **4. Action taken**

4.1 A breach report was issued and submitted to the Monitoring officer and Section 151 officer. Upon review of the report, it was instructed that a formal breach report would be submitted to the regulator which was completed on 16th October 2018.

4.2 The Pensions lead manager is carrying out a full review of the process of ABS planning, preparation and production and will include the following key actions in preparation for the annual exercise;

- Revised training for all team members involved in the employer return processing and completion.
- Introduction of controls to reconcile the number of statements due for production.
- Improved communications with employers and internal stakeholders.
- Internal audit commissioned by Chief Operating Officer.

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