

**Report to:** Pension Committee

**Date:** 23 September 2019

**By:** Chief Operating Officer

**Title of report:** Pension Administration updates

**Purpose of report:** To provide a general update on matters relating to Pensions Administration activities.

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## **RECOMMENDATION – The Committee is recommended to note the report**

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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.

1.3 This report provides an update on four key projects, outlined below, and which were presented to and reviewed by the Pension Board on 9 September 2019. These projects are:

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

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

2.1. 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 31st August 2019.

2.2. 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.

2.3. 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 31st August 2019 is attached as Appendix 1. Fund Officers are currently discussing next steps and assessing whether the breach is reportable.

2.4. 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 31st August deadline.

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

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

2.6 Further details of the ABS is subject to a separate report that contains exempt information and appears later on the agenda.

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

3.1. 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.

3.2. 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 28th June as planned, however a review by Hymans dated 18th 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 28th June and 8th 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.

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

4.1. 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.

4.2. 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.

4.3. Please see Appendix 3 for more detail.

### **5. System Review**

5.1. 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.

5.2. 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.

## **6. Key Performance Indicators**

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

## **7. Staffing Update**

7.1 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.

7.2 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.

## **8. Reporting Breaches Log**

8.1 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.

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