

Report to: Pension Board

Date: 11 November 2019

By: Chief Operating Officer

Title of report: Pension Administration update

Purpose of report: To provide an update to the Pension Board on matters relating to Pensions Administration activities.

RECOMMENDATION – The Board is recommended to note the update.

1. Background

1.1 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 East Sussex Pension Fund (ESPF) and for the Administering Authority (East Sussex County Council). They also lead on topical administration activities, projects and improvements that may have an impact on members of the Local Government Pension Scheme (LGPS).

2. Membership Movements

2.1 At the last Board meeting, the Chair asked for further explanation of the membership movements between end of Fund year at 31st March 2019 and the production date for the Annual Benefit Statements. A summary movements analysis is enclosed as **Appendix 4**. This report was run on 15th October 2019.

2.2 The report shows the membership numbers at 1 April 2018 and 31 March 2019.

2.3 The difference in the membership numbers between 31 March 2019 and the date ABS' were produced allows for:

- Retrospective new joiners notified as part of year end returns.
- New joiners after 31st March 2019 were excluded (not eligible until 2020).
- Members moved to unidentified leaver (status 2) as part of unresolved queries in year-end returns.
- Actual leavers after 31st March 2019 were removed (they get a leaver statement instead).
- Similar removals took place for other status movements away from active after 31st March 2019.

2.4 A move to monthly returns from employers with the introduction of IConnect – the digital platform for data submissions – will substantially improve the ability to report on up to date membership and reconciliation.

3. Annual Benefit Statements

3.1 The full and final run of Annual Benefit Statements took place on 28th August 2019.

3.2 A table summarising the membership population at the point of producing the statements, the numbers of statements produced and the number of statements that were unable to be produced can be found at **Appendix 5**.

3.3 For all Active online ABS, the members were notified using email. The 62 Active online opt outs were sent ABS in the post.

3.4 258 Active members did not receive an ABS by the statutory deadline due to a lack of data from the Scheme Employers, and 9,535 Deferred members did not receive an ABS by the statutory deadline due to the absence of a current address on their pension record. The Fund has

commissioned an address tracing exercise in order to improve the address data held on member records.

3.7 Deferred ABS were produced on paper. From this ABS and earlier notifications, we are now in a position to move Deferred ABS online for 2020 onwards. This means the population of deferred members who will have access to a statement will increase.

3.8 In addition to the above, there were 1,780 members recorded as Status 2 which means they have potentially left the scheme but the leaver data has not been received to enable the pensions administration team to process these records to the correct status. These members will not have received an active or deferred ABS in time for the statutory deadline.

4. Data Improvement Programme

4.1 The PAT is working closely with Fund Officers on the establishment of the Data Improvement Programme, incorporating data cleansing, membership reconciliation, administration service specification and Annual Benefit Statement 2020 planning. To that end, two workshops have taken place on 16th and 22nd October. More detail is provided in the report from the Interim Head of Pensions.

5. Guaranteed Minimum Pension (GMP)

5.1 As reported previously, 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 1**, 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 planned to start during November onwards to explain the changes taking place. Please see **Appendix 1** for more detail.

6. System Review

6.1 The contract with Heywood for the pension administration system is ending in April 2021. Advice from Orbis Procurement team confirms a market procurement is required. A procurement exercise from preparation to decision is likely to take 8 months.

6.2 A Norfolk Framework for Pensions Software is planned to ready from April 2020. Officers have been heavily involved in the progress of this Framework and is considered to be a cost effective, low risk route for the procurement exercise. This route and 4.1 combined would create a decision point at December 2020.

6.3 A decision to change administration platform provider would then require a migration plan estimated to take 12 months. At a high level, this would mean a go live on the new platform from December 2021. Clearly this goes beyond the current contract term. As an interim measure, it is recommended that a modification to the current contract is pursued, extending the contract by 12 months from April 2021 to April 2022.

6.4 A decision to remain on the existing platform would mean a new contract from May 2021. As part of the recommended modification, it is proposed that a clause be included which allows the extension to be superseded by the new contract.

6.5 A timetable for procuring a new system is 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. The consolidated report on the initial requirements and the series of workshops is attached as **Appendix 3**.

6.6 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 2** for more detail.

7. Key Performance Indicators

7.1 The overall performance in the period August to September has seen a slight drop from the previous period although performance is still of a high standard. There are some isolated cases where standards have temporarily dropped but there is confidence that this is not permanent and there has been no disadvantage to members. There have been no complaints received.

7.2 Out of the 133 retirements processed, only 2 were over the KPI measure of 5 working days, by an average of 1 day. Out of the 31 member estimates processed, 6 cases were over the KPI measure of 7 working days, by an average of 6 working days. Out of the 30 employer estimates processed, 4 cases were over the KPI measure of 10 working days, by an average of 9 working days.

7.3 Therefore, overall out of the total number of tasks of 522, only 12 tasks failed the KPI measure. These mainly relate to retirement estimates and an issue with these has been identified by the Team Leaders and addressed with the team so that there are no or limited future occurrences. The KPIs are attached as **Appendix 6**.

8. Staffing Update

8.1 One Pensions Administrator is leaving the team in October. Currently, there are 2 live Pension Administrator roles out for recruitment.

8.2 Close working with Brighton & Hove City Council has produced progress with resolution of a high volume of unidentified leaver queries (also known as Status 2s). This has generated an exceptional spike in leaver work received for this employer. Two temporary staff are being recruited to process these leavers at pace.

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.

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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.