

Report to: Pension Board

Date of meeting: 15 February 2021

By: Chief Finance Officer

Title: Pension Administration Report

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

RECOMMENDATIONS

The Board is Recommended to:

- 1) Note the updates;
 - 2) Note the progress of management in implementing the agreed actions arising from the internal audit report (Appendix 4); and
 - 3) Make any comments for feedback to the Pensions Committee.
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1. Background

1.1. The Pensions Administration Team (PAT), based partly in-house (since 1 December 2020) and partly 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. They also lead on topical administration activities, projects and improvements that may have an impact on members of the Local Government Pensions Scheme (LGPS).

2. Supporting Information

Key Performance Indicators (KPI)

2.1. The Performance Report, for the period February to December 2020 can be found at **Appendix 1**. The PAT has continued to produce some excellent performance numbers with over 98% of key tasks completed within the Orbis service levels for December 2020. It should be noted that the number of tasks relating to deaths for January 2021 is looking a lot higher. In February and March 2021 resources will have to be diverted to supporting the data migration project with much work required around User Acceptance Testing and two Parallel Runs of pensioner payroll. This will certainly see a fall in Business As Usual performance numbers.

2.2. Under the Good Governance Review documents were developed and updated covering the Service Level Agreement and Roles & Responsibilities of the future "in-house" PAT rather than one provided through Orbis Business Services. An overview of the proposed all-encompassing high-level insight of the administration service was shared at the last Board meeting. New performance measurements will go live in the new East Sussex Altair database, in the meantime, the KPI's presented continue to be from the shared Altair database.

Note – the hardest task to achieve in 2020 has been the "Employer estimate provided" as this has a 7 days target whilst under the new proposed SLA the target is 10 days, same as "Employee projections provided". In early October 2020 redundancy quotations ceased to be provided, as a consequence of the uncertainty of information to be given under the £95k Exit Regulations. Estimates were reinstated in January 2021 when ESPF presented a temporarily solution to the £95k Exit Regulations dilemma.

2.3. The Orbis Pensions Helpdesk was introduced in November 2019 and their performance is shown in **Appendix 2**. Management of the service recognise the results have been poor since lockdown and are actively working to improve resourcing, telephony tools, staff training, back-up plans, smoothing peaks & troughs and ultimately the quality of the customer experience.

*Note – the helpdesk will continue to be delivered by Orbis post April 2021. The details outlined in **Appendix 2**.*

Pension Administration Transfer and Staffing Update

2.4. 17 staff transferred to East Sussex on 1 December 2020 through Transfer of Undertakings (Protection of Employment) regulations (TUPE). All administration staff are continuing to work from home, and none have tested positive for COVID-19. Staff remain in good spirits and their wellbeing is closely monitored. It is not anticipated that staff will be returning to Lewes County Hall before April 2021 at the earliest.

2.5. A Transition Board has been set up to oversee the PAT return to East Sussex. The East Sussex plan has a target transfer date of 1 April 2021 but recognising this is an ambitious target. The key milestones are:

- Project governance & reporting – the principles of disaggregation, regular meetings
- Pension Admin budgets & recharges – reconciliation will take place as at 31 March 2021
- Design of Pen Admin function in East Sussex – structure and processes
- Staffing – TUPE transfer, implementation of team structure, recruitment & training
- Systems – re-procurement, new system approach, hosting, data configuration, data migration, user testing & pensioner payroll
- Projects – support where required
- Communications
- Regulatory & Compliance
- Helpdesk
- Post go live – ongoing support, Internal Audit review, lessons learnt

2.6. The migration project key achievements since the last meeting:

- 17 staff TUPE to East Sussex on 1 December 2020.
- All staff in County Hall to collect new laptops on 11 December 2020.
- Approval of the 5 years Aquila Heywood contract is finalised and signed off in January 2021.
- Work progressing with Aquila Heywood and first test data cut successfully migrated to ES servers in January 2021.

2.7. The proposed structure for the East Sussex PAT is set out in **Appendix 3**. Job descriptions and person specifications have been written and will shortly be put through the East Sussex Job Evaluation process. Three roles are due to be advertised on 1 February 2021.

Internal Audit

2.8. **Appendix 4** updates the Pension Board on the progress of implementing the Management Actions agreed for the 2019/20 Pension Administration Audit on Compliance with Regulatory Controls.

2.9. The Internal Audit team have now begun the equivalent 2020/21 Pensions Administration Audit and this with both review and evidence the completed 2019/20.

Projects update

Data Improvement Project

2.10. Since the handover from Hymans to PAT progress has continued to be tracked by the Working Party. The vast majority of the targeted work is completed and at the Working Group meeting on 16 December 2020 it was agreed to rollover any items outstanding into Phase 2 that formally started in 2021. The keys areas of focus are:

- Pension differences <£100 that were put on hold.
- Annual Benefit Statement (ABS) 2019/20 outstanding actions:
 - (a) Identify and act upon 809 new status 2 cases.
 - (b) Investigate the 67 deferred that never got a statement.
 - (c) Investigate the 366-544 actives that never got a statement (200 ESCG cases underway)
- Outstanding or incomplete items from Phase 1.
- Common Data report findings that are deemed very high or high risk, namely:
 - (a) 36 false National Insurance Numbers
 - (b) 7 blank Date Joined Fund
 - (c) 15 false Date Joined Fund
 - (d) 521 Status & Invalid Data View – Exit Details
 - (e) 904 Status & Invalid Data View – Deferred Details
 - (f) 441 Status & Invalid Data View – Pension Details
 - (g) 178 Status & Invalid Data View – Dependant Details
 - (h) 1 Status & Valid Data View – Missing Deferred Details
- Any urgent aspects of the Conditional Data report may be considered in Q2, 2021.

GMP Reconciliation, Rectification and Equalisation

2.11. Orbis commissioned JLT (Mercers) to undertake the reconciliation and rectification work. The project has been held up by HMRC provision of final data. Mercers provided the final reconciliation report to Orbis in January 2021. The results of the reconciliation will be presented to the Working Group in February to revisit the decisions made about rectification before proceeding. If proceeding, will need to be after the April 2021 pension increases.

i-Connect

2.12. The Heywoods module is has been tested by East Sussex (as the main employer) and the December payroll data being loaded in January 2021. This was a key topic of discussion at the Employers Forum webinar on 20 November 2020 and was presented to some members of the Board following the last meeting in November 2020. The PAT's new Employer Engagement Manager has a clear roll-out plan which ensures the employers remain engaged and supportive:

- The Fund has written to the next 3 biggest employers asking them to provide details on the i-Connect project and how the Fund will be looking to implement this with them in the next few months. The PAT anticipates running test data uploads on these employers for March and if these are successful, the Fund would expect to get live uploads starting from April 2021.
- Employers who are currently using the old Pensions Web data transfer have been notified that this will be switched off later this year and that i-Connect will provide a much easier and efficient method of data transfer going forward.
- An initial i-Connect communication will be sent out to the rest of the employers by the end of February making sure they are aware of the project and allow them to ask questions and request further information if needed. Within this communication, the Fund will facilitate the demonstration of i-Connect that was provided in the November Employer forum available for reference.
- A phasing of the onboarding process will be done based on the size of employer, starting with the largest and working down. However, any employers that have requested or shown an interest in onboarding earlier will be highlighted and the opportunity to implement and start using i-Connect will be offered regardless of size. It is understood that some employers have had experience of i-Connect through other payrolls so are aware of the benefits of the system and how it functions.

- By 31 December 2021, the Fund expects to have onboarded a minimum of 50% of employers onto i-Connect, with the anticipation that all employers will be setup and using i-Connect by the end of March 2022. This will allow all end of year data to be provided by employers via i-Connect for the 2022 Annual Benefit Statements.
- Feedback from employers already onboarded will be collected used to help the ongoing roll out and improve our implementation process.

Pension increases as at 1 April 2021

2.13. The April 2020 supplementary pension increases were processed by Heywood's as at October 2020 and records/pay updated.

2.14. The April 2020 increases uncovered a number of non-critical errors and warnings and these will be addressed in February 2021 as part of the preparation for the 2021 increases. It should be noted that many of the errors or warnings do not indicate an error or an issue with the individual's record or the amount of pension or compensation they are being paid simple a statement of fact such as a new joiner.

2.15. East Sussex staff have been trained by Heywoods to undertake the 2021 Pension increases and a project plan is now in place.

£95k exit cap

2.16. On 5 October 2020 the Orbis PAT paused the provision of early retirement termination estimates with immediate effect so as to not provide incorrect figures for pension benefits and strain costs.

2.17. On 4 November 2020 the Exit Payment Regulations become law but the Ministry of Housing, Communities and Local Government decisions on Compensation Regulations were not finalised and the LGPS Regulations will now not be updated until three Judicial Reviews have been heard (commencing in late March 2021). The resulting conflict between the two sets of Regulations is causing much confusion, concern and the calculation position remains uncertain.

2.18. The Adminstrating Authority has taken the following position:

- To adopt the Government Actuaries Department (GAD) unisex strain factors early rather than create a new set of Fund specific unisex factors.
- To allow members to have a partially actuarially reduced retirement package where the value of the exit package exceeds £95k.

2.19. The Fund then worked with Barnett Waddingham to create a new strain cost calculator. The Fund finally created a new letter template for the over £95k cases which is full of caveats and saying the figures cannot be guaranteed. The PAT began issuing redundancy quotations in mid-January 2021.

3. Conclusions and reasons for recommendation

3.1. The Board is Recommended to:

- 1) Note the updates;
- 2) Note the progress of management in implementing the agreed actions arising from the internal audit report (Appendix 4); and
- 3) Make any comments for feedback to the Pensions Committee.

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