

**Report to:** Pension Board

**Date of meeting:** 1 June 2021

**By:** Chief Finance Officer

**Title:** Pension Administration - updates

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

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## **RECOMMENDATION**

**The Board is Recommended to:**

- 1) Note the updates;**
  - 2) Make any comments for feedback to the Pension Committee.**
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### **1. Background**

1.1 The Pension Administration Team (PAT) 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. The team also lead on topical administration activities, projects and improvements that may have an impact on members of the Local Government Pensions Service (LGPS).

### **2. Key Performance Indicators (KPI)**

2.1 The Performance Report, for the period April 2020 to March 2021 can be found at **Appendix 1**. The PAT have seen performance numbers fall during the first quarter of 2021 as predicted at the last Board meeting. Some of the team resources had to be diverted in February and March 2021 to support the data migration project with much work required around User Acceptance Testing and two Parallel Runs of pensioner payroll. In January 2021 we completed the highest numbers of tasks for the last year. There were high death case volumes and we were able to re-commence redundancy quotations. With the system blackout period in late March/early April and the bedding in of the new system, we should expect performance to remain at a lower level for April and possibly May.

2.2 Under the Good Governance Review, documents were developed and updated covering the Service Level Agreement (SLA) and Roles & Responsibilities with the future "in-house" PAT. An overview of the proposed all-encompassing high-level insight of the administration service was shared at the last Board meeting. A fee has been agreed with Aquila to implement the new performance measurements and this work should be completed in June 2021. At the same time, they will also add any statutory deadlines and benchmarking data. In the meantime, the Key Performance Indicators (KPI's) presented whilst from the new East Sussex database, continue to be based upon the old internal measurements.

Note – the hardest task to achieve in 2020/21 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".

2.3 The Orbis Pensions Helpdesk was introduced in November 2019 and their performance for the last 12 months is shown in **Appendix 2**. We are working collaboratively with the Helpdesk Management team to implement an improvement plan covering resourcing, telephony tools, staff

training, back-up plans, smoothing peaks & troughs and ultimately the quality of the customer experience. There is a planned three months transition period before we commence formal performance management against the new East Sussex County Council (ESCC) KPI's.

2.4 The Pension Board is asked to note the KPI report and make any comments for feedback to the Pension Committee.

### 3. Pension Administration Transfer and Staffing Update

3.1 17 staff were transferred under the Transfer of Undertakings Protection of Employment (TUPE) regulations to East Sussex on 1 December 2020. One interim officer has been recruited to support the projects team. All administration staff are continuing to work from home and none have tested positive for COVID-19. Staff remain in good spirits and we closely monitor their wellbeing. It is not anticipated that staff will be returning to Lewes County Hall before September 2021 at the earliest.

3.2 A Transition Board was been set up to oversee the PAT return to East Sussex. The East Sussex plan had a target transfer date of 1 April 2021 but recognising this was an ambitious target. The key milestones for the project were:

- Project governance & reporting – the principles of disaggregation, regular meetings
- Pension Admin budgets & recharges – reconciliation will take place as at 31 March 2021
- Design of Pension 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

3.3 The migration project key achievements since the last meeting:

- 23/01/21 Member self service portal (MSS) scoping meeting
- 25/01/21 First test data cut successfully migrated to East Sussex (ES) servers
- 03/02/21 ES user profiles/permissions for ES Altair agreed
- 05/02/21 ES database given to PAT to begin testing
- 15/02/21 MSS mock design & all documentation signed-off. Licence & VPN form done
- 15/03/21 Extract of final live Surrey County Council (SCC) data began 18/03/21 Altair UAT and MSS testing complete and blackout period begins (until live)
- 24/03/21 Altair 2<sup>nd</sup> parallel run testing complete – fully reconciled
- 27/03/21 Final data loaded to ES Altair test
- 09/04/21 Export data from test to ES Altair live
- 13/04/21 MSS go live

3.4 The Pension Board is asked to note the report and make any comments for feedback to the Pension Committee.

### 4 Projects update

#### 4.1 Data Improvement Project – Phase 2

The keys areas of focus are:

- Pension differences <£100 that were put on hold. **Complete**
- ABS 2019/20 outstanding actions – **Well progressed:**
  - (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
- Outstanding or incomplete items from Phase 1. **Well progressed**
- Common Data report findings that are deemed very high or high risk, namely – **Awaiting Altair Insights in May 21:**
  - (a) 36 false NI 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.

#### Guaranteed Minimum Pension (GMP) Reconciliation, Rectification and Equalisation

4.2 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 were shared with the Working Group in February to revisit the decisions made about rectification before proceeding.

4.3 In April 2021 Officers reconfirmed the 2019 decision to accept the Fund data over National Insurance Services to Pensions Industry (NISPI) data where discrepancies remain. Once the reconciliation is completed, Mercer can start determining the over and under payments for pensioners. However, there are further set of decisions to be made in advance to enable this to happen. Officers have met and agreed some preliminary decisions (key decisions outlined below) to enable Mercers to model and produce some numbers. It is hoped that most of the decisions will stand but there will be an opportunity for Officers to revisit the assumptions and present the results with the potential for further changes such as de minimis amounts being introduced. It is anticipated the results will be available for the Pension Committee on 12 July 2021.

4.4 Preliminary decisions made:

- Tolerance for deferred members – greater than £0.01 per week.
- Tolerance for pensioners – if the GMP difference <£0.12 per week take no corrective action.
- Any overpayments to date of correction will be written off. Benefits will however be reduced to the correct levels going forwards. Consideration to the messaging and timing of the adjustment to be discussed further with possibly 3 to 6 months' notice.
- Underpaid members should be paid in full and interest added at Bank of England base rate + 1%

4.5 It was noted that officers were guided by central govt policy / public debt regulations and precedents set by other public sector schemes including the NHS and Teachers. The decisions were explained to and noted by the Working Group and will be passed to Mercers to action.

4.6 GMP Equalisation – HM Treasury has decided to abandon the idea of converting GMP benefits in public sector schemes, opting for a permanent extension of full indexation.

#### i-Connect

4.7 The Heywood's i-Connect module has been tested by East Sussex County Council (as the main employer) and the December payroll data was loaded in January 2021. With the creation of the new East Sussex version of the Heywood's Altair system as part of the dissolution project, the member matching process had to be reapplied for this employer. This has been successfully completed using the March 2021 data. ESCC is now fully onboarded. This impacted our ability to rollout to other larger employers as we wanted, but a number are in well advanced discussions and their payroll providers are building the required data export files.

4.8 The next stage of the i-Connect project is to roll out the i-Connect system to the larger employers in the Fund, alongside other employers that are already using the i-Connect system in other authorities. The team see the i-Connect project is a good opportunity to help cleanse employee data and in time will allow a more efficient method of data transfer between the employer and the Fund. The Employer Engagement team are aware that some employers may find the transition to i-Connect problematic with limits on time and technology. They will offer the relevant time and support to allow for a smooth transition alongside appropriate training.

4.9 A communication was sent to the remaining employers in late February 2021 making sure they are aware of the project and allowing them to ask questions and request further information if needed. It also offered a demonstration and a link to the i-Connect presentation from the November 2020 Employer Forum. By December 2021 we expect to have onboarded a minimum of 50% of employers on to i-Connect, with the anticipation that all employers will be setup and using i-Connect by March 2022, allowing all end of year data to be provided by employers via i-Connect for the 2022 Annual Benefit Statements.

#### Pension increases as at 1 April 2021

4.10 The main (0.5%) and supplementary pension increases have successfully been processed, with letters issued with the April pay slips and P60's. Very few queries or questions have been received.

#### £95k exit cap

4.11 On 25 February 2021, the [Restriction of Public Sector Exit Payments \(Revocation\)](#) was made and laid before parliament and came into force on 19 March 2021. We have continued to use the GAD unisex strain factors but otherwise no other change has remained and no redundancy or exit packages are now being restricted.

#### Annual Benefits Statements (ABS) for 2020/21

4.12 This year the ABS project is being overseen by ES and supported by Surrey (SCC). A bespoke project plan has been prepared and a projects team meets fortnightly to review progress and agree the next batch of tasks.

4.13 Draft template ABS for Active and Deferred members have been created and a testing matrix covering most scenarios created. There are five minor issues found and these have been queried with Aquila Heywood.

4.14 A good proportion of year end data has been received and first reminder has been issued to those who missed the 30 April 2021 deadline. The first batch of data is being validated. The project is very much on track.

## **5. Conclusion and reasons for recommendations**

5.1 The Pension Board is recommended to note the updates and make any comments for feed back to the Pension Committee.

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