

Report to: Pension Board

Date of meeting: 14 September 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.

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 in-house Pensions 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. 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. Key Performance Indicators (KPI)

- 2.1 The Performance Report, for the period July 2020 to June 2021 can be found at **Appendix 1**. The PAT saw performance numbers fall during the first quarter of 2021 (average 92.0%) as predicted and discussed at the last Board meeting. Quarter two saw an improvement to an average 95.4%. This would have been even better had it not been some delay issues with transfers-in (now resolved).
- 2.2 Under the Good Governance Review, documents were developed and updated covering the Service Level Agreement and Roles & Responsibilities with the future "in-house" PAT rather than provided through Orbis Business Services. A fee has been agreed with Aquila Heywood to implement the new performance measurements and this work should be completed in September 2021. At the same time, they will also add any statutory deadlines and benchmarking data. In the meantime, the KPI's presented, whilst from the new East Sussex database, continue to be based upon the Orbis internal measurements.
- 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 was a planned three month transition period before we fully handed over all the PAT emails and that phase was completed on 30 June 2021. The final phase is the service improvement period before we commence formal performance management against the new ESCC KPI's.

3. Pension Administration Transfer and Staffing Update

- 3.1 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 October 2021 at the earliest. Then it is very likely to be on a hybrid basis.
- 3.2 At the last meeting we celebrated the Altair & MSS system had gone live on time and budget. There were a number of actions still to be finalised before the Transition & Project Boards were closed down. The majority of these were completed by the end of June 2021 and the IT Change Advisory Board approved the project closure and the system is now Business as Usual (BAU).

4. Internal Audit

- 4.1 The Internal Audit team have now completed the 2020/21 Pensions Administration Audit to ensure compliance with Regulatory Controls. The Audit has included a review and evidence of the completed 2019/20 Audit Management Actions. We are very pleased with the Audit opinion improving from minimal to reasonable assurance. An update on progress against the new Management Actions will be presented by the internal audit team. We will report again the progress of completing actions at future meetings.

5 Projects update

5.1 Data Improvement Project – Phase 2

The keys areas of focus are:

- Pension differences <£100 that were put on hold. **Complete**
- Annual Benefits Statements (ABS) 2019/20 outstanding actions – **Complete.**
- Outstanding or incomplete items from Phase 1. **Well progressed**
- Common Data report findings that are deemed very high or high risk, namely – **Work underway**

We will reassess the Status 2, 8 and 9 cases in September once the ABS work is completed. This is now considered an annual BAU event.

5.2 GMP Rectification

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. In April 2021 Officers reconfirmed the 2019 decision to accept the Fund data over NISPI data where discrepancies remain and the reconciliation is now complete.

The project is on hold whilst the Orbis contract with Mercers is replaced by an ESCC version. We will then provide Mercers with a data extract of the 2021 pension increases for the pensioner population and access to Altair. Mercers can then start determining the over and underpayments for pensioners and looking at the draft communications. It is unlikely the project will be concluded until Q1, 2022.

5.3 Annual Benefits Statements for 2020/21

This year the Annual Benefits Statements (ABS) project is being overseen by ESPF and supported by Surrey until 30/6/21. A bespoke project plan was prepared and a project team met fortnightly to review progress and agree actions.

All employers with active members provided year end data or submitted March 21 data via i-Connect. The data was verified and queries were raised on about 20% of employers' submissions. The data issues were passed back to employers and vast majority corrected in time for ABS processing.

The ABS statutory deadline was 31 August 2021 and at that time it was estimated over 99% of eligible deferred members and 95% of eligible active member had a statement produced.

5.4 Abatement changes with effect from 1 April 2021

As agreed by the Pension Committee in June 2021 this process has ceased to be operated and the PAT has:

- (a) Updated the policy held on the website to inform members
- (b) Change the administrative procedures and letter templates to members who may make enquiries about abatement
- (c) Identified the historical cases that had been totally ceased or suspended (20 members) as a result of abatement and in August 2021 reinstated their pensions including backdating to April 2021
- (d) Determined a way to try to identify the partially reduced cases with a view to run a report and correct benefits in September/October 2021. It is estimated there are 50 such members in scope.

5.5 Prudential (Pru) Additional Voluntary Contributions (AVC) arrangement

The close ongoing monitoring of the Pru has seen the complaints about the late investment of contributions and untimely settlement of benefits cease and service improve. It was agreed at the June 2021 Pension Committee that once this was achieved the overall Pru AVC service effectiveness would be reviewed. This project is well underway and a verbal update will be provided at the Board meeting.

5.6 Suspension of pensions in payment

As a result of two ongoing projects we wanted to draw your attention to some pensions being suspended in September 2021:

- (a) Pay slips are issued each year in March, April & May to all pensioners. This year 147 were returned and we have a number of attempts to contact them via phone, email and twice via their banks. About 50 cases remain untraced.
- (b) Overseas pensioners biennial mortality checks are progressing well but we are unable to obtain a response from about 20 pensioners, despite several reminders.

5.7 Annual Allowance historical review project

The project to correct the Annual Allowance for the period 2014/15 to 2019/20 has been awarded to Aon and a contract is in place. We have provided them with the revised salary histories for the c.350 members in scope for review plus a couple of test cases prepared by Barnet Waddingham.

We have provided Aon with access to Altair in order for them to extract further data and review individual results against the previous calculations. The access to Altair falls outside the contracted permitted scope and therefore an additional but discounted licence was purchased from Aquila Heywood for £5,000 (for the period until 31/12/21). The plan is to prioritise the straight-forward cases first to try to maximise the members completed ahead of the 2021 deadline in October. It is anticipated that a much smaller number will be impacted in a way that results in a tax payment being required.

We have been working closely with HM Revenue & Customs (HMRC) throughout the preparation for the project and intend to submit the resulting tax adjustments to HMRC on a spreadsheet rather than on a quarterly tax return. The ESPF will be liable to pay interest on late payments.

6 **Conclusion and reasons for recommendation**

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

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