

Report to: Pension Board

Date of meeting: 10 July 2015

By: Acting Head of Orbis Business Operations

Title: Officers Report – Business Operations

Purpose: Background information on the administration service provided to the Pension Fund by Orbis Business Operations

RECOMMENDATIONS

1) The Board is requested to note the background information provided and highlight any areas of particular interest for consideration at future Board meetings.

1 Introduction

1.1 Business Operations within Orbis have prepared this summary of topical administration areas that may be of interest to the Board. This report is provided for information at this stage as an introduction and Business Operations would welcome any input from the Board on specific areas of interest that they may wish to pursue in future. Subjects are presented in alphabetical order and not perceived importance.

2 Administration Performance – Key Performance Indicators

2.1 On a monthly basis, Business Operations reports its Key Performance Indicators (KPIs) focusing on the main areas of administration that affect scheme members. These have developed based on 'industry standard' performance indicators rather than any statutory requirements. The last three months' KPI reports are attached as **Appendix 1**.

2.2 Business Operations strives for continuous improvement in administration and, in the main, is able to report consistently high achievement rates for the majority of administration tasks. We have been constrained in recent months by staff shortages but, as indicated on the reports, these are being addressed currently and we expect to see an improvement in performance in future months.

3 Communications with members - Annual Benefit Statements 2015

3.1 The LGPS regulations have introduced a timescale of 31 August 2015 for the production of annual benefit statements to active and deferred members. For active members, this is a challenging timescale because 2014/15 is the first year employers have been required to provide the fund with year-end pay information for both the 2008 Final Salary Scheme and the 2014 Care Scheme.

3.2 The format of the annual statement for active members will unavoidably be more complex for 2015 because of the requirement to include CARE benefits. To give a flavour of the potential complexity of the annual statement for 2015, the Local Government Association

(LGA) have developed a template document for pension funds (see **Appendix 2**) that provides all the information legally required to be included in the statement.

3.3 We are engaging with a specialist print firm working with a number of local authority funds with a view to creating a more user-friendly version of the statement and this can be shared with the Board once produced.

4 Guaranteed Minimum Pension (GMP) Reconciliation

4.1 In association with the abolition of contracting out (of the State Second Pension – formerly SERPS) in April 2016, HM Revenue and Customs are ending the retention of GMP data in 2018. GMP is the minimum amount of pension that a scheme must provide to a member under the contracting-out arrangements for public sector schemes.

4.2 HMRC is recommending that, in advance of 2018, schemes should undertake a detailed reconciliation exercise to identify GMP discrepancies between their own data and scheme records.

4.3 As part of a joint exercise across East Sussex, Surrey and Westminster funds, Independent Transition Management Ltd (ITM) have been selected to conduct an initial data matching exercise on behalf of the three funds. The initial outcome from this high level data analysis will be reported to the Board at the next available meeting. It is anticipated that considerable resource input will be required in future to fund the reconciliation exercise.

5 Pensions Administration system – Procurement

5.1 The licensing contract for the current pensions administration system utilised by Business Operations on behalf of the East Sussex pension fund, ALTAIR, is due to expire in April 2016.

5.2 In conjunction with the East Sussex, Surrey and Westminster administering authorities, the Orbis procurement team are undertaking a joint procurement exercise to determine the most appropriate system to adopt when the licensing contract expires in April 2016. The three key guiding principles for the procurement are:-

- Obtaining best value for all the individual pension funds through partnering
- A shared platform across funds to standardise processes – this will lead to efficiency savings and improved resilience.
- Proven functionality of the administration system and scope for future developments

5.3 The Board will be kept updated on the development of the procurement process.

6. Conclusion

6.1 As indicated in the introduction, the subject areas contained in this initial report are intended as background reading for the Board to assist in understanding current issues occupying the Orbis pensions administration team. We would be happy to consider the inclusion of any specific topics of interest in future.

Simon Pollock - Acting Head of Orbis Business Operations

Contact Officer: Jason Bailey Tel. No. 020 8541 7473
Email: jason.bailey@surreycc.gov.uk