

Report to: Pension Board
Date of meeting: 5 June 2024
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 Pension Board is recommended to note the updates and make any comments for feedback to the Pension Committee.

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 (the 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 April 2023 to March 2024 can be found at **Appendix 1**. The PAT saw performance numbers during quarter one 2024, average at 82.50% (volume completed 4,651) which continued, as predicted, lower than targeted. The previous quarter (78.99% with a volume of 4,274).

The lower-than-normal performance, despite a record level of work completed, was caused by several issues:

- The overall KPI figures are primarily low following the inclusion of item 9 aggregation (combining of benefits) which was included from March 23. This was included due to the large volumes of activity to aid transparency. Excluding this task the quarterly performance was 96.57%. The aggregation backlog was over 1,000 cases but is now down to less than 200.
- A backlog of transfers (almost all types) was created by the uncertainty of the Government Actuaries Department (GAD) freeze due to the Actuarial Factors review and the resulting updates required to the Altair system.
- McCloud remedy going live and ESPF not being data ready to implement. Having to manually identify cases in scope is slowing down all calculations. The Fund is still finalising a new suite of letter templates, but holding letters are in use.
- Ongoing data cleansing including preparation for Pensions Dashboards.
- Backdated pay awards leading to thousands of leaver re-calculations.
- Resources redirected to focus on completing projects such as the historical Annual Allowance, GMP Rectification calculations, McCloud data, supplementing the pensions helpdesk.

Forecasting in late January, it was expected that performance would improve throughout quarter one, 2024 which it has. The focus for quarter two has been the implementation of the GMP rectification together with the 2024 pensions increase.

To aid visibility of the work being undertaken by the PAT team **Appendix 2** provides a high-level view of performance achieved (as presented) over a number of years and **Appendix 3** shows the latest position for March 24, including what work was on the books at the start of the month, what was received, what was completed, and what remains outstanding including what can be worked upon.

2.2 The Fund has a gold standard service provision for the Pensions Helpdesk and the results are included in **Appendix 4**. The Helpdesk, from April 2024, is an in-house team and part of PAT.

There has been a challenging transition with some helpdesk staff leaving and retiring ahead of the TUPE. Three new helpdesk operators were recruited in March 2024, and they are now starting to take calls. The email backlog has been cleared in May 2024.

The Pensioner Payroll support from Surrey CC ceased and from April 2024 was replaced by the ESCC Payroll team.

3. Pension Administration Staffing Update

3.1 A Pension Administration Apprentice will start in June 2024 to replace a leaver in Jan 2024. The short-term temporary Pensions Administrator left in February 2024. Three Pension Helpdesk Operators started in early March 2024. One permanent Pension Administrator position vacancy remains, which is not currently being recruited to.

4. Projects update

4.1 Guaranteed Minimum Pension – Reconciliation & Rectification

The data was provided to Mercers to recommence the project in May 2023 and their project plan provided on 18 September 2023 suggested it should be completed by February 2024. A number of key decisions were made by the Admin Working Group (AWG) on 26 October 2023 to enable the project to start to rectify. Mercers raised circa 500+ individual member queries in December 2023 and 20 remain outstanding. Officers worked with Heywood to come up with a bulk solution to import the Mercer results into Altair and the data was expected in early February.

At the AWG meeting on 21 March 24 it was explained the data from Mercer was received at 5pm on 8 March 24 and everything needed to be completed before pensioner payroll cut-off date on 19 March 2024. The very tight deadline meant not everything got completed and priority was given to the pensioner records. About 2k pensioners were impacted by the GMP reconciliation but circa 1,400 were under GMP age so as the GMP's were not in payment. This means the only action is to update their Altair records to change the GMP/non-GMP split. However, when they reach State Pension Age their future increases will be impacted.

The remaining pensioner numbers were:

38	Underpaid cases including arrears (2 updated manually)
246	Overpaid cases identified (overpayments to date were written-off and pension in payment not decreased in March, we elected to give 3 months' notice of the decrease)
38	No action needed (32 deaths & 6 no change)
276	Excluded from the March update *

* Following a review of the outliers and subsequent discussion with Mercer on 26 March 2024 Officers discovered a flaw in the Heywood data extract tool which mean that the GMP figures on Altair for some dependent pensioners was not passed to Mercer. There were 217 in this category and the figures on Altair when compared to HMRC records meant these were all within tolerance so effectively removed from rectification (included in “GMP incorrect on Extract” below). A full breakdown of the excluded pensioner cases is:

246	GMP incorrect on Extract
4	Full increase overlap (800 GMP cases in the breaches log) – rectify in June 24
1	Manual case – review in June
11	Outliers over tolerance £1k or 35% (down from 35) - review in May
5	Ongoing queries with Mercers
9	Suspended on Payroll (payslip returned suggesting suspected death)

276	

Officers elected only to write to the pensioner members impacted by the over and underpayment letters on 28 March 2024. Most of the pension helpdesk calls received from members (not that many) were simply to double check the numbers and to double check we are not recovering the overpayment to date. Officers received five complaints, none about financial hardship, and all have been responded too.

There is still a lot to do on the GMP rectification project, including all the deferred and active members record updating, the most difficult and complex part is complete.

Officers also need to revisit the 300 pensioners (section E2) that were pulled at the GMP rectification stage. Officers received details of these members from Mercer on 18 May 2024. Officers will determine case by case whether to use the HMRC or Fund GMP details. These will then, where appropriate, need to be put through the GMP rectification process, which could lead to a few more over or under payment cases.

4.2 Member Self Service (MSS)

MSS is a portal used by members to help members keep track of their ESPF pension. Members can view ABS, update personal info, update nomination forms, and use a range of benefit projectors. The portal is being replaced with a version with improved functionality and much more secure. Officers are progressing the project with Heywood and will look to carry out a pilot with ESCC members in June 2024 after user acceptance testing is complete and before rolling out to all scheme members in July 2024.

4.3 Pension increases as at 1 April 2024

Officers have completed the pension increase routine using the CPI figure of 6.7% (based on September 2023 inflation index).

4.4 Annual Benefit Statements - 2024

The end of year data requests for the remaining non i-Connect employers were requested in late March 2024.

The project plan, testing matrix and ABS templates for actives, deferreds and Councillors have been prepared.

4.5 McCloud Remedy

Officers wrote a generic letter to all potential members in scope in December 2023 which raised very few questions and queries. Officers were clear that no action was required by members and that there was an expectation only a small number were likely to be impacted with the high inflation plus comparison between 49th vs 60ths/80ths reducing the likelihood further.

There are about 140 employers with active members, all but one employer supplied data before the final deadline. The data has been put through the Heywood data validation tool which resulted in circa 4,200 queries around the part-time service histories. Of these about 4k have been resolved and 200 are being investigated by employers.

There are 37 employers that only have non-active members', and these have more recently been contacted to obtain data required. To date, 20 have provided the requested data, 5 no longer exist and 10 are being actively chased. The remaining 2 employers have informed Officers they no longer hold the required data so cannot provide it.

The LGA has published details of a preferred approach to making calculations where data cannot be obtained, and assumptions made. Officers will determine the extent to which these assumptions will need to be used.

The Fund will need to revisit all calculations for members who were in scope for the McCloud remedy once the data has been loaded to Altair. Meanwhile most transfers requests after 24 March 2024 have been held up as Heywood have not created new calculation functionality (expected by the end of 2024). To assist, the LGA have, in May, created a manual non-Club transfer calculation spreadsheet. Officers are actively testing this to see if PAT can be trained to manually undertake these calculations to avoid future data disclosure breaches.

Whilst the McCloud remedy went live on 1 October 2024, the Fund is still trying to implement, and remains in a similar position to most other Local Authorities.

4.6 Overseas Mortality checks

Officers undertake monthly mortality checks via a third party (ITM) for UK based pensioners which alerts the PAT to any unnotified deaths so that they can be processed in a timely manner to avoid overpayments.

ESPF is also obliged to participate in the National Fraud Initiative (NFI) mortality checks which are undertaken biannually for all pensioners.

In addition, Officers undertake regular paper exercise for our circa 600 overseas pensioners to check their wellbeing and the next exercise will commence in June 2024. PAT will contact about two-thirds by email and the remainder by post. They will need to complete a form, appropriately witnessed and return within a few months.

4.7 Frozen refund cases exercise

If a member leaves the Fund with less than 2 years' service (and has not transferred in pension rights to the Scheme from elsewhere) they have three options:

- claim an immediate refund of their contributions.
- transfer their benefit to a new pension arrangement.
- delay their decision until they know what they want to do, known as a frozen refund.

Frozen refund cases have a maximum of 5 years to make a decision and then the Fund can pay a refund and remove the liability. It is difficult to resolve the frozen refund cases after 5 years as the Fund need to obtain bank details to make a payment; many members have moved address in this time and rarely seek to claim small amounts. The Fund has more than 6k frozen refund cases, many have been on the books for in excess of 5 years. Officers undertook an address tracing exercise with ITM and found a significant number had moved. The new addresses have been updated and we have in May 2024 written to 1,077 frozen refund members to check we have traced the correct person, request bank details and in due course settle the refund of contributions.

5 Conclusion and reasons for recommendation.

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

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