

Report to: Pension Board

Date of meeting: 11 September 2025

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 Reports for the months of April, May and June 2025 can be found at Appendices 1 to 3. The report now includes all tasks performed by the PAT and is reported directly from the Altair Insights system. A summary is included in the table below:

Month	o/s* at start	Post received	Post completed	Completed in SLA**	% within SLA	Outside SLA**	Total o/s* at end	Open tasks at end
Jan 25	1,719	3,126	2,279	2,078	91.2%	201	1,892	1,069
Feb 25	2,372	2,368	2,148	1,793	83.5%	355	2,557	1,034
Mar 25	2,283	2,364	2,355	1,977	83.9%	378	2,251	740
Q1, 25		7,858	6,782	5,848	86.2%	934		
Apr 25	2,066	1,949	2,015	1,705	84.6%	310	1,979	470
May 25	1,828	1,772	1,803	1,647	91.3%	156	1,759	356
Jun 25	1,637	1,810	1,674	1,556	93.0%	118	1,729	351
Q2, 25		5,531	5,492	4,908	89.4%	584		

*o/s = outstanding **SLA = Service Level Agreement

2.2 On 29 July 2025, the Admin Working Group ("AWG") were provided with a performance history since April 2024 when the current monthly performance format was introduced. It showed for the 12 months before this quarter; 9 months were red and 3 amber. The AWG also looked at the detailed reasons for tasks that missed their SLA for June 2025 and saw much improvement. It was noted that the June 2025 performance has exceeded 92% for the first time and is therefore green against the agreed target levels. In addition, the number of cases that are showing as missing targets is at its lowest level.

2.3 To aid visibility of the work being undertaken by the PAT team, Appendix 4 provides a high-level view of performance achieved (as previously presented to Pension Board and Pension

Committee) over several years. The volume of tasks received being reported has increased – 9,629 in 2022, 15,411 in 2023 and 23,898 in 2024.

2.4 The Fund aims to achieve a gold standard service provision for the Pensions Helpdesk and the results for April to June 2025 are included in Appendix 5. From April 2024 the Helpdesk has been delivered by an in-house team within PAT. Due to the transition into an in-house team the reportable information relating to service delivery has reduced. The roll out of the East Sussex County Council (ESCC) telephony upgrade was completed mid-May 2025. As a result, the Helpdesk was expecting access to call centre technology but that has yet to be installed. It is anticipated that call centre technology will be installed from October 2025 so the PAT will again review the format and type of Management Information data available.

3. Pension Administration Staffing Update

3.1 There have been no resignations since the last meeting, but a Project Officer has moved from PAT to the Fund team in August 2025. The PAT has appointed a new Pensions Administrator and Helpdesk Operator to replace last quarter's leavers. An offer has been accepted for a replacement Projects Officer from an internal candidate.

4. Projects update

McCloud remedy

Part time hours history data loading to Altair

4.1 Work on part time hours history data loading to Altair has proven much more complex and time consuming than expected. The PAT started to load data in May 2025 broken into 5 batches:

- Employers with active members
- Brighton and Hove City Council (BHCC)
- Concurrent Combinings – simple
- Concurrent Combinings – complex
- Employers with members but no actives

4.2 The data had to be loaded through 4 stages – provisional and actual in the test system and then repeated in the live system. Between each load for each batch, officers have been correcting and reducing errors and issues.

4.3 The “**employers with active members**” and “**BHCC**” data loaded 104,243 lines of data but failed to load 12,585 lines that generated errors. Officers have resolved all the errors relating to active (on 31 July 2025) and deferred members (19 August 2025). The remaining 1,889 errors relate to cases not requiring an ABS and will be investigated at a later date.

4.4 The “**employers with members but no actives**” and “**concurrent combinings – simple**” loaded 3,062 lines of data but failed to load 375 lines that generated errors. These were investigated and resolved on 8 August 2025.

4.5 There are 136 members in the “**Concurrent Combinings – complex**” category that will need a thorough manual review and most likely further support and data input from employers. These will not be investigated in time for the 2025 ABS runs.

Service Breaks history data loading to Altair

4.6 The service break data was collated for all members in a single file which contained 22,659 lines of data in respect of 7,388 members. The provisional results on 1 August 2025 created 3,091 errors and this was down to 558 errors on the actual live run on 8 August 2025. There remain 102 errors to still be investigated as at 23 August 2025.

McCloud underpin applies (bites)

4.7 The McCloud underpin protection was turned on 7 August 2025 which created new documents when running a Benefit Calculation (including a new document called UNDERPINLG – if the current guaranteed amounts shown on this document are zero [the overwhelming majority of cases are expected to be zero] no underpin applies). If a member is not eligible for McCloud underpin the existing documents will be produced.

4.8 The position as at 11 August 2025 was as follows:

Status	Count for live bulk McCloud underpin calculation	Provisional ABS run
1 = Active	155/24,871 = 0.62%	446*
2 = Undecided Leaver	9/953 = 0.94%	9
4 = Deferred	292/34,045 = 0.86%	285
5 = Pensioner	205/23,781 = 0.86%	205
7 = Death	3/NA	3
Total	664/83650 = 0.79%	948

* The calculation looks at the amounts for CARE & Final Salary as at 31 March 2022

Annual Benefit Statements

4.9 The ongoing delay has resulted due to the Altair records with the McCloud Underpin data and running the underpin calculations in readiness. As Officers correct errors on Altair records, the underpin calculations need to be re-run resulting in cases being both added and excluded so numbers are fluctuating daily.

4.10 The week commencing 19 August 2025, Officers were finalising the usual random ABS calculations matrix to ensure manual check for members with as many different scenarios as reasonably possible. The last check was to manually review the accrued pensions for the cases with the largest provisional underpin position as at 31 March 2025. Final checks showed there were 25 correct cases where the provisional underpin amount is greater than £1k on the annual pension, with the highest being £4,848.51). Further checks were to be done on a further 18 where the % change is > 20%.

4.11 The final guaranteed figures will only be known at normal retirement date. The ABS do include projected provisional figures, and these will potentially change the position considerably as the Career Average Revalued Earnings (CARE) figures are unchanged, but the Final Salary comparator is payable at age 65 so given the CARE benefits are due at State Pension Age (SPA) (67 or 68 for some members), the Final Salary numbers have a late retirement factor applied. Officers have found the impact can be significant. An example case found showed at 31 March 2025 the provisional underpin was £0 (Final Salary was -£83.17) but at CARE normal retirement age the provisional underpin had increased to £1,204.14.

4.12 Statutory guidance states the McCloud underpin should be included for all members, where appropriate, as at 31 March 2025 and therefore failure to do so should be deemed as a breach. This was discussed at great length at the AWG meeting on 22 August 2025 and, based on the estimated numbers available at that time, AWG were minded to log and report the breach to the Pensions Regulator (TPR) shortly after the 31 August 2025 statutory deadline.

4.13 Table below shows the position on 22 August 2025:

McCloud Group	Status			% of membership		
	Active	Deferred	Total	Active	Deferred	Total
1	790	254	1,044	3.4%	0.8%	1.8%
2	3,432	4,369	7,801	14.6%	13.0%	13.7%
3	364	199	563	1.6%	0.6%	1.0%
4	18,876	28,726	47,602	80.5%	85.6%	83.5%
Grand Total	23,462	33,548	57,010			

A description of each group is below:

GROUP 1

Your estimated final guaranteed amount is included in the annual pension figure(s) shown on your statement.

GROUP 2

Your pension is protected by the underpin under the McCloud remedy. However, your estimated final guaranteed amount is £0. This is because your career average pension is more than the pension you would have built up in the final salary scheme.

GROUP 3

Your pension is protected by the underpin under the McCloud remedy. However, it was not possible for us to reflect your protection in this year's statement.

GROUP 4

Some members are protected by the McCloud remedy, but not all. Members who are protected would have their pension increased if they would have built up a bigger pension in the final salary scheme than the career average. We have checked your records, and you are not protected under the McCloud remedy.

4.14 ABS were run on 26 August 2025 and communications issued by 31 August 2025. The final numbers are:

Count of ABS Run Status	McCloud Groups					ABS
	Group 1	Group 2	Group 3	Group 4	Grand Total	Not Run
Active	758	3,444	400	18,903	23,505	231
Deferred	119	4,455	233	28,405	33,212	267
Grand Total	877	7,899	633	47,308	56,717	

Count of ABS Run Councillors	Count	ABS Not Run	% Run
Deferred	39	0	100

4.15 The AWG also determined that the retrospective McCloud underpin recalculation cases (prioritising post 30 September 2023 deaths and retirements) must be done without undue delay. All calculations must be complete by the end of the extended implementation period i.e. 31 August 2026.

Pensions Dashboards

4.16 Heywood are the Fund's Integrated Service Provider (ISP), and the project remains on track:

Phase 1 – created the ISP data console and data transfer tested. Additional testing of the “view” and “find” data completed. Officers have documented a new process on how to resolve a “partial” match.

Phase 2 – Meeting 28 August 2025 to discuss the implementation and onboarding before the deadline on 31 October 2025.

4.17 Officers are looking to create a new Prudential Additional Voluntary Contribution (AVC) data screen on Altair to hold the annual data that can be submitted to the ISP via a single source.

4.18 A training session for Pension Board and Pension Committee members has been arranged for 16 September 2025.

Annual Allowance (AA) for 2024/25

4.19 Officers identified 300+ potential cases in scope in August 2025. Given the AA limit increased from £40k to £60k in the previous year, fewer members were expected to be impacted. Further investigation showed 270 members could be descoped from the data collection stage. Some additional salary data will be required from a few employers for a small number of members in early September. All the necessary calculations and letters will be issued before the statutory deadline 06 October 2025.

Additional Voluntary Contributions implementation of approved changes

4.20 At the 27 February 2025 Pension Committee meeting, the following decisions were made:

- Change the default investment fund for new members from “With Profits” to the Lifestyle approach “Dynamic Growth Targeting Cash”.
- Retain the “With Profits” fund as the default for existing investors including their future contributions. The fund will also remain a self-select option for new members.
- Hard Close funds where no assets remain – “Fixed Interest” and consider closing the “Index-Linked” that had one deferred member.
- Allow soft Close funds to be used by existing investors.
- Introduce a Sharia compliant equity option.
- not to look for a self-select Bond fund.

4.21 These decisions were implemented by the Chief Finance Officer and Officers after co-ordination with Barnett Waddingham (BW) and the Prudential (Pru). The expectation was it would take several months to communicate and implement.

4.22 The priority was to determine if the “Index-Linked” fund could be closed. Recognising that it

would be a costly exercise (selecting an alternative) and this would give rise to transaction costs and potential out of market risk. The member has now self-selected to move the assets from the “Index-Linked” to “Equity” fund on 15 August 2025. As there are now no remaining assets in the “Index-Linked” fund, it can be hard closed.

4.23 BW are drafting the communications for all AVC investors so there can a single announcement of all the changes. The effective date is still to be determined (likely October 2025) noting that the Pru need at least 6 weeks’ notice.

5 Conclusion and reasons for recommendation.

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

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