

**Report to:** Pension Board

**Date:** 12 May 2016

**By:** Chief Operating Officer

**Title:** Officers' Report – Business Operations

**Purpose:** To provide an update on current administration issues in relation to the service provided to the Pension Fund by Orbis Business Operations

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## **RECOMMENDATIONS**

The Board is requested to 1) note the update provided; and 2) highlight any areas of particular interest for consideration at future Board meetings.

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### **1 Introduction**

1.1 Business Operations within Orbis has prepared this summary of topical administration areas that may be of interest to the Board. This report is provided for information and subjects are presented in alphabetical order and not perceived importance.

### **2 Scheme Member communications**

2.1 The Board have previously expressed an interest in being sighted on global member communications. Business Operations has recently produced a Pensions Newsletter which is intended for active members of the scheme (**see Appendix 1**) and has been forwarded to employers in the pension fund for onward distribution. This document has been designed to be distributed electronically in line with our plans for future communications.

2.2 The newsletter contains updates on changes the Government has made to the taxation of pensions – namely a reduction in the Lifetime Allowance and changes to the Annual Allowance – as well as information about changes to the state pension and the ending of contracting out.

2.3 Although communication of the increase in the rate of National Insurance contributions is an employer responsibility, the Pension Fund does have an obligation to advise scheme members that they will no longer be members of a contracted-out scheme so a separate shorter communication (referencing the Newsletter in Appendix 1) has been sent to scheme members (via home address) to confirm this. It is hoped that members will view the increase in their National Insurance contributions as having a positive impact on their future state pension entitlement.

2.4 **New Joiner information.** The Board requested sight of communications that are currently sent to new joiners to the pension fund. Historically, the Form LGPS1 (**Appendix 2**) has been issued by employers prior to members joining and a statutory notification (**Appendix 3**) is sent after the member's record has been set up to confirm admission.

2.5 This documentation meets the fund's statutory responsibilities for new joiners but Business Operations is committed to introducing more informative and user friendly communications to new joiners. The documents attached as **Appendix 4** are samples of the communications issued by partner funds within Orbis and it is intended these be rolled out to East Sussex members in due course now that approval has been given to proceed with an integrated administration system with shared processes.

### **3 Administration Performance**

3.1 Business Operations is pleased to report that the recent recruitment of four new staff is now having a positive impact on the administration performance of the team. The pre-existing backlog of unprocessed 'early' leavers (numbering around 450) referred to in previous reports has now been successfully cleared and the team is maintaining the processing of these leavers going forward.

3.2 The Board had previously raised concerns around turnaround times for the processing of spouse's benefits and these issues have also now been rectified – in March all retirement payments and spouse's benefit cases were completed within the published timescales.

3.3 The calculation of transfers into and out of the scheme (and quotations for divorce proceedings) has been suspended as a result of the change to the discount rate from 16 March 2016, as announced in the recent Budget. The Government sets the discount rate for all public service pension schemes. It is hoped that new transfer factors will be issued by the Government imminently to avoid the build of any backlogs outside of Business Operation's control but this may have a negative impact on performance if the suspension continues for some time.

### **4 GMP Reconciliation**

4.1 The Board were previously provided with an update of the initial analysis carried out by ITM regarding the mis-matches between HMRC records and the fund's own records. In February 2016, HM Treasury issued some recommended guidance for public sector pension schemes which stated that schemes should consider reconciling:-

- i) Active and Deferred members with service between 6 April 1978 and 5 April 1997
- ii) Pensioners with active service between the above dates
- iii) Non-members for whom schemes consider they have discharged any liability
- iv) Members where schemes consider there is a liability but HMRC do not

4.2 In addition, HM Treasury has suggested that a tolerance level of £2 per week should be applied and within this:-

- i) For active and deferred members schemes should default to HMRC's records
- ii) For pensioner members schemes should default to their own records

4.3 Business Operations is currently investigating the options available for resourcing this task on this basis and will make a recommendation to the Pensions Committee once sufficient information is available.

### **5. Valuation and Progress on EOY Returns from Employers**

5.1 To ensure an accurate set of data is provided to the fund actuary to carry out the triennial valuation and to ensure timely issue of annual statements, employers have been requested to provide their EOY returns by 30 April. An update will be provided to the Board at the meeting once this submission date has passed.

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Background Documents

None