

Report to: Pension Board
Date of meeting: 7 September 2020
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) Note the progress of management in implementing the agreed actions arising from the internal audit report (Appendix 5);**
 - 3) Note the proposed Pension Administration structure following transition from share service arrangements (Appendix 4).**
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1. Background

- 1.1 The Pensions Administration Team (PAT) based within Orbis Business Services carries out the operational, day-to-day tasks on behalf of the members and employers of the 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 LGPS.

2. Key Performance Indicators

- 2.1 The Performance Report, for the period February to July 2020 can be found at **Appendix 1**. As identified by Internal Audit, work is ongoing to review the accuracy and relevance of the data presented.
- 2.2 Under the Good Governance review a lot of work has gone into developing documents covering the Service Level Agreement and Roles & Responsibilities with Orbis as the scheme administrator. The subsequent decision to move the Pension Administration Team back to East Sussex has meant a further review will be necessary. Whilst not finalised **Appendix 2** gives an overview of the proposed all-encompassing high-level insight of the administration service. Whilst incomplete, it is a proposal as a transition towards a more transparent or collaborative overview drawing attention to the key activities that have happened.
- 2.3 The Orbis Pensions Helpdesk was introduced in November 2019 and their performance is shown in **Appendix 3**. The results have been poor since lockdown and appropriately challenged.

3. Pension Administration Transfer and Staffing Update

- 3.1 A number of changes have happened since the last Board meeting:
12/06/2020 Simon Bathurst (Senior Administrator) left

29/06/2020 Paul Punter joined as Head of Pensions Administration
 03/08/2020 Mubu Mubukwanu joined as a Trainee Pensions Administrator
 07/08/2020 Aaron Martin (Administrator) left

3.2 All administration staff are continuing to work from home and none have tested positive for COVID-19. Staff remain in good spirits and have been issued with second monitors, plus keyboard and mouse where required, as it is not anticipated that staff will be coming back to Lewes County Hall before November 2020 at the earliest.

3.3 A Transition Board has been set up to oversee the PAT transfer to East Sussex. A proposed structure is set out on Appendix 4. It will take some time to get to this position as existing staff need to be TUPE transferred from Surrey to East Sussex. The remaining roles will then need to be assessed as to how the requirements are best met. The estimated cost of the proposed structure is £725,000.

4. Annual Benefits Statements as at 1 April 2020

4.1 All identified eligible deferred member statements (29,727) have been prepared and uploaded on 24 July 2020.

4.2 As at 21 August 2020, 20,614 active statements have been run including all Councillors.

4.3 There remains data outstanding which is stopping production of ABS for some members:

Scope	Position as at 30/7/20	Position as at 18/8/20
Employers who did not provided their annual return data	48 (5 Ers)	12 (3 Ers)
Employers completed return but queries raised thereon and not resolved	554 (23 Ers)	189 (? Ers)
Brighton & Hove	1,019	400
East Sussex Colleges Group	192	200
Casual workers	n/a	130
Total	1,813	931

4.4 There will be a verbal update at the meeting as to the position as at 31 August 2020.

5. Internal Audit

5.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council has a statutory responsibility to administer and manage the Fund in accordance with the rules of the Local Government Pension Scheme (LGPS) which are set out in the following regulations:

- The Local Government Pension Scheme Regulations 2013;
- The Local Government Pension Scheme Transitional Provisions, Savings and Amendment Regulations 2014; and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

5.2 The review of management's progress in implementing the agreed actions arising from internal audit reports by the Pension Committee and Pension Board is an integral part of the oversight process and is critical to improving the internal control environment for the pension fund in line with the revised Internal Audit Strategy for Pensions.

5.3 **Appendix 5** updates the Pension Board on the progress of implementing the Management Actions agreed for the Pension Administration Audit on Compliance with Regulatory Controls.

6 **Projects update**

6.1 Data Improvement Project

At the end of the contract the remaining project was handed back to the PAT. A Hymans closure report dated 31 July 2020 is attached at **Appendix 6**. Data was uploaded to the secure website 18 August 2020. The ongoing progress will continue to be tracked by the Working Party. A Phase 2 DIP is expected to be considered in January 2021.

6.2 McCloud Judgement

LGA consultation is underway (see the draft response to the consultation elsewhere on the agenda) – the Government lost the case over age discrimination therefore there will need to be change and about a quarter of the LGPS membership are likely to be in scope. Hymans have been commissioned to prepare a briefing paper:

- Think about who should project manage and who should be on the project working party;
- Who all the stakeholders are to communicate to;
- Who is responding to the consultation paper;
- Identify members impacted to get an idea of the scale of the problem – running reports and doing data analysis;
- Determine what data will be needed to be adjusted and how will it be stored on Altair;
- Is it a standalone project or should it be considered as part of a wider Data Improvement Programme.

6.3 GMP Reconciliation, Rectification and Equalisation

Orbis commissioned JLT (Mercers) to undertake the reconciliation and rectification work. The project has been held up by HMRC provision of final data (received late July 2020). The latest reconciliation update available from Mercer is their report dated May 2020 (**Appendix 7**). The HM Treasury have told LGA that Equalisation does not apply to the Public Sector, but that view is now being questioned and expected to change. The outcome of this debate will impact on the next steps the project takes.

6.4 Pension Administration software tender

The tender closing date was 14 August 2020, the evaluation of which is now underway.

6.5 Overseas pensioners biannual mortality exercise

This year we are issuing to ALL overseas pensioners not just the incapacity and over age 70 members. Letters have been updated and issued on 25 August 2020.

6.6 Annual Allowance statements

Work will commence in September once the ABS are finalised and staff training sessions have been run. For ESPF there are circa 120 staff impacted for whom statements will need to be issued by 6 October 2020

6.7 i-Connect

The implementation plan was disrupted by Covid-19 and the pensions administration software review. The module is ready with Heywoods and the SAP file is being tested by East Sussex (as the main employer) and expected to be completed by the end of September 2020.

6.8 Pension increases as at 1 April 2020

The annual pension increase for April 2020 was completed by Heywood's on 27th April. As reported at the last Pensions Board the work was largely successful in processing, however uncovered a number of non-critical errors and warnings which are the result of historical

failings and local decisions on what was deemed an error and were therefore not reviewed in previous years pension increase runs. A meeting with Heywood's has been held to fully understand the errors and warnings, which will then allow for the pension service to identify which cases need to be reviewed as a priority. It should be noted that the errors or warnings do not necessarily indicate an error or an issue with the individual's record or the amount of pension or compensation they are being paid. These could just be instances where upon checking the record, it is all correct. There are about 2,500 incidences.

7 Conclusion and Recommendations

7.1 The Pension Board is recommended to note the updates and the progress of management in implementing the agreed actions arising from the internal audit report (Appendix 5). The Board is also recommended to note the proposed Pension Administration structure following transition from share service arrangements (Appendix 4).

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