

**Report to:** Pension Committee  
**Date of meeting:** 30 November 2020  
**By:** Chief Finance Officer  
**Title:** Pension Administration - updates  
**Purpose:** To provide an update to the Pension Committee on matters relating to Pensions Administration activities.

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## **RECOMMENDATION**

**The Committee 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 7);**
  - 3) Note the proposed Pension Administration structure and costs following transition from share service arrangements (Appendix 3) and make any comments for feedback to the Pensions Committee.**
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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 East Sussex Pension 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**

2.1 The Performance Report, for the period February to September 2020 can be found at **Appendix 1**.

2.2 Under the Good Governance review documents were developed and updated covering the Service Level Agreement (SLA) and Roles & Responsibilities with the future “in-house” Pensions Administration Team rather than provided through Orbis Business Services. An overview of the proposed all-encompassing, high-level insight of the administration service was shared at the last Committee meeting. Transition to the new performance measurements from the new sovereign database will go live in the new year, in the meantime, the Key Performance Indicator’s (KPI) presented continue to be from the shared Altair database. Note – the hardest task to achieve this year has been the “Employer estimate provided” as this has a 7 days target whilst under the new proposed SLA the target is 10 days, same as “Employee projections provided”. In early October we ceased to provide redundancy quotations.

2.3 The Orbis Pensions Helpdesk was introduced in November 2019 and their performance is shown in **Appendix 2**. Management of the service recognise the results have been poor since lockdown and are actively working to improve resourcing, telephony tools, staff training, back-up plans, smoothing peaks & troughs and ultimately the quality of the customer experience. Note – we are closely monitoring the increasing number of abandoned calls. Now the ABS peak is past, we expect the call received numbers to fall.

### 3. Pension Administration Transfer and Staffing Update

3.1 No staffing changes have occurred since the last Committee meeting. All administration staff are continuing to work from home and none have tested positive for COVID-19. Staff remain in good spirits and we closely monitor their wellbeing. It is not anticipated that staff will be returning to Lewes County Hall before April 2021 at the earliest.

3.2 A Transition Board has been set up to oversee the PAT return to East Sussex. The East Sussex plan has a target transfer date of 1 April 2021 but recognising this is an ambitious target. The key milestones are:

- Project governance & reporting – the principles of disaggregation, regular meetings
- Pension Admin budgets & recharges – reconciliation will take place as at 31 March 2021
- Design of Pen Admin function in East Sussex – structure and processes
- Staffing – TUPE transfer, implementation of team structure, recruitment & training
- Systems – re-procurement, new system approach, hosting, data configuration, data migration, user testing & pensioner payroll
- Projects – support where required
- Communications
- Regulatory & Compliance
- Helpdesk
- Post go live – ongoing support, Internal Audit review, lessons learnt

3.3 The proposed structure for the East Sussex PAT is set out in **Appendix 3**. Job descriptions and person specifications for all the existing Orbis roles have been collated and are being rewritten and will shortly be put through the East Sussex Job Evaluation process. Most of the recruitment will not begin until the existing staff have been TUPE as some of that team are very likely to wish to apply for other roles in the wider structure. The Surrey CC TUPE consultation with 19 staff commenced on 21 October 2020 and closes on 20 November 2020. Staff are expected to belong to East Sussex from 1 December 2020. The estimated full year salary cost of the proposed new structure is £825,000, an increase of 18% on the estimated costs for 2020/1.

3.4 The estimated additional non staff costs related to the PAT move back to East Sussex:

IT related expenditure	Estimated Cost
Heywood separating databases	£200,000*
East Sussex IT hosting data on Server	tbc
East Sussex IT hardware & Software	tbc
Other Costs	tbc

\* Some of this will be met by Surrey

These costs will be presented to the Pension Committee for approval on 30 November 2020.

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

### 4. Annual Benefits Statements as at 1 April 2020

4.1 The last Committee received an update as at 31 August 2020 (the statutory deadline) and this is set out in **Appendix 4**. The Chair positively commented on the low error rate and these mostly being caused by “gone aways” and four Employers who had not provided end of year returns. The number of breaches outside of casual workers and the four Employers amounted to 0.4%.

4.2 The update letter was sent to the Pensions Regulator (tPR) on 29 September 2020, see **Appendix 5**, which highlighted the significant progress made compared to 2018/19.

4.3 Work has continued to progress the end of year returns and data queries, with the plan to do a final run of ABS in early November 2020. Any outstanding work thereafter would, by default, become part of the continuing Data Improvement Project.

4.3 With regards to the 325 casual workers, it was agreed a policy was needed to deal with the members who are on casual contracts and who did not have pensionable service in the Fund during 2019/20. A briefing paper was prepared (see **Appendix 6**) and consultation with the Pension Board and Committee Chairs undertaken prior to the following actions being implemented:

(a) CARE Pay – these members who have received no pay of any kind in the period 1 April to 31 March, the decision is to use a value of £0.01 against pensionable pay, so effectively giving no accrual of CARE pension for that year.

(b) Final Salary Pay – This is only to be used in the calculation of benefits pre April 2014, so the decision is to roll forward the existing final pay value from the previous year, having the effect of calculating any final salary benefits as exactly the same as the previous year, by maintaining the same final pay value and accrued service. Applying the above would have the effect of producing an ABS of equal value to the previous year (ignoring CARE revaluation).

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

## 5. Internal Audit

5.1 **Appendix 7** updates the Pension Committee 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

Since the handover from Hymans to PAT progress has continued to be tracked by the Working Party. Queries on the quality of the data handover has caused delays and some work previously described as complete by Hymans actually requires more actions. The annual assessment using tPR data validator guidance has produced the following results, showing a significant improvement in scores:

#### Common Data scores

Fund	2018	2019	2020	Difference between 2019 & 2020
ESCC	87.20%	88.00%	96.90%	+8.90%

#### Conditional Data scores

Fund	2018	2019	2020	Difference between 2019 & 2020
ESCC	87.30%	89.80%	96.00%	+6.20%

The full reports will be available for the next Working Group meeting when the next Phase 2 DIP is expected to be considered in readiness for a January 2021 launch.

### 6.2 GMP Reconciliation, Rectification and Equalisation

Orbis commissioned JLT (Mercers) to undertake the reconciliation and rectification work. The project has been held up by HM Revenue & Custom (HMRC) provision of final data (received by Mercers late July 2020) but the final reconciliation report is still awaited. The existing Public Sector GMP Equalisation work around is likely to be extended are part of a consultation, in response to

which is at **Appendix 8**.

### 6.3 Overseas pensioners biannual mortality exercise

This year we are issuing letter to ALL overseas pensioners, not just the incapacity and over age 70 members. 478 letters were issued on 25 August 2020 and as at the end October 2020 we have received 325 completed and appropriately verified returns. In addition, we have 2 gone aways, 9 deaths and 3 pay-slip returned cases (now suspended). This leaves 139 outstanding and we will send an email chaser (or letter where not possible) in early November 2020.

### 6.4 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 November 2020. It is not anticipated that it will be rolled-out any wider for a few months.

This will be a topic of discussion at the Employers Forum webinar on 20 November 2020.

### 6.5 Pension increases as at 1 April 2020

The annual pension increase for April 2020 was completed by Heywood's on 27th April 2020. As reported at the last Pensions Committee 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.

The April 2020 supplementary pension increases were overlooked and Heywood's were asked to undertake these in September 2020 and they should be processed in the October 2020 pensioner pay.

### 6.6 £95k exit cap

On 5 October 2020, we wrote to all the East Sussex employers to explain the exit payment legislation was passed by the House of Commons on 30 September 2020 and comes into force 21 days after its approval. There are a number of queries outstanding on how this will work for the LGPS and whether both sets of legislation (Exit Payment Regs from HM Treasury and Compensation Regulations from Ministry of Housing Communities and Local Government(MHCLG)) will be published at the same time, or what happens if they are not.

Due to the uncertainty on how these cases will be processed, the Orbis PAT has paused the provision of early retirement termination estimates with immediate effect, so as not to provide incorrect figures for pension benefits and strain costs.

On 4 November 2020 the Exit Payment Regs become law but the MHCLG consultation on Compensation Regs does not close until 9 November 2020 and the LGPS Regs are unlikely to be updated until the end of 2020. The conflict in Regulations is causing much confusion, concern and the calculation position remains uncertain.

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