



Report to:	Pension Committee	Date:	26 September 2018
Report title:	Pension Administration Update		
Report from:	Gerald Almeroth, Strategic Director, Resources		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Jill Whitehead		
Author(s)/Contact Number(s):	David Kellond, Pensions Administration Manager, 020 8770 6033		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • Making Informed Choices 		
Open/Exempt:	Open		
Signed:		Date:	11 September 2018

1. Summary

- 1.1 This report provides an update on the main work streams impacting pension administration for the period June 2018 to August 2018.

2. Recommendations

The Pension Committee is recommended to:

- 2.1 Consider and note the report.

3. Background

- 3.1 Sutton and Kingston formed a shared service with effect from 1 April 2016 for the administration of each respective Council's Local Government Pension Scheme (LGPS). The shared service also administers the LGPS on behalf of in excess of 100 employers, including Sutton Housing Partnership, Kingston University and academy schools.

- 3.2 The strategy for the shared service will focus on:

- maximising use of the administration system (including self serve modules);
- increasing knowledge and resources of system administration;
- upskilling officers;
- monitoring outstanding work; and



- the harmonisation of functions within the team and its interactions with other support services, such as finance.

3.3 In addition, there is an annual action plan to allow monitoring of all projects, annual tasks and ongoing tasks that the pension administration team is responsible for. The following projects and annual tasks are highlighted to give the board a flavour of work the team are completing alongside the day to day administration of the fund.

4. Issues

Annual Returns and Annual Benefit Statements 2018

- 4.1 Resources have been diverted within the team to focus on validating and loading annual returns from all the scheme employers across the Kingston and Sutton pension funds. Annual returns contain all active members' pay related information from 1 April 2017 to 31 March 2018. Although guidance was sent with the distribution of the annual return templates, some returns have been sent back with significant errors and as a consequence have been returned to the scheme employer for correction.
- 4.2 Once a return has been loaded against a scheme employer, the Career Average Revalued Earnings (CARE) will be revalued for those members' records and an annual benefit statement produced. The scheme employer will then be notified to encourage its members to register for Pensions Online, where they can view (and download if they wish) their 2018 annual benefit statement. Providing statements in this way should produce a significant increase in those members registering for Pensions Online, however, a paper statement can be provided on request if required.
- 4.3 Statements have been produced for all deferred members and a letter will be issued imminently to inform them to register with Pensions Online to view their statement. However, deferred members have also been informed that a paper statement can be provided on request.
- 4.4 For a number of scheme employers in both Kingston and Sutton Pensions Funds, an annual return has either not been received, received late or the return that has been provided has not been of a sufficient quality to allow it to be processed. As a consequence, there are a number of employers for whom annual benefit statements cannot be produced by the prescribed deadline of 31 August 2018. This will require the Council to self report to the Pensions Regulator for breaching the requirement for statements to be issued before the deadline given that it is considered a 'material breach'. At the point of writing this report the number of members implicated was 1,020 of 11,130.
- 4.5 A penalty charge will be imposed on those employers who have not provided an annual return within the given time frame or not provided a return of an acceptable quality, in line with the pension administration strategy. Work will begin in October 2018 with scheme employers to prepare for year end 2019, to try to prevent future breaches, and demonstrate to the Pensions Regulator that the issue is being addressed.



Monitoring of Complaints

- 4.6 Any cases are referred to the Pensions Administration Manager for consideration under Stage 1 of the LGPS Internal Dispute Resolution Procedure (IDRP). Such issues are reviewed and wherever possible are brought to a satisfactory resolution without the need for reference to Stage 2 of the procedure. During this period, one case was received at stage 1 IDR. A further case reported by a member to the Pension Ombudsman for investigation, has concluded with no further action required. This case relates to a pension that was being overpaid and has been reduced to the correct amount.

Backlog Project

- 4.7 Two of the key drivers of the shared service were to address the increased administration demand and to resolve historical capacity issues. Whilst good work has been done to ensure that the former is kept under control via service improvements, it has not been possible to resolve the latter at an acceptable speed.
- 4.8 As of 26 October 2017, there was a total of 2,636 overdue processes. The breakdown of these by priority is shown below:

Priority	Sutton Fund	Kingston Fund	Combined
1	107	193	300
2	283	429	712
3	761	863	1,624
Total	1,151	1,485	2,636

Key

P1	P2	P3
Retirement (quote & actual) New pensioners; Deaths	Transfers and interfunds (quote & actual); Cash Equivalent Transfer; Refunds; Divorce; AVC & APC's	Joiners & leavers; Deferments, GMP Preserved refunds Concurrent employment Provisional quotes

- 4.9 The team has been consulted to estimate the average time required to complete each type of process. The time required has been split into processing time and sign-off time and it is estimated that it will take 18 weeks to clear. The funding for an additional pension officer and 2 pension assistants (full time temporary staff) has been agreed to work solely on the backlog. An approach has been agreed on how to tackle the outstanding processes and has been communicated with the team. There will be set targets and progress against these will be measured on a weekly basis and reported once a week at the team's weekly stand-up.

4.10 The number of outstanding processes has been reduced as per the below:

	Oct 17	July 18	Change
Processes overdue from original backlog	2,636	975*	-1,661
Total processes overdue	2,636	1,111	-1,525

**This number has increased since last reported because some tasks have now moved to a later stage in the process but are now overdue under that element of the task. Subsequent reports to this Committee will seek to ensure that the figures are calculated based on the overall due dates.*

Service Level Agreements

4.11 The service level agreements as stated in the pension administration strategy were set up within UPM at the beginning of January 2018.

4.12 Appendix A lists the SLAs with their associated definition and target.

4.13 The table below shows the percentage of SLAs completed within timescale to date (January - July 2018). The total number of general queries that are reported below only represent a small proportion of general queries that the service deal with. A larger proportion (on average 40-60 queries per day) are received via the generic email address and responded to by a pension officer (on rota) by email reply and do not enter UPM. Consideration is being given to how best monitor timescales of replying to emails from the generic inbox.

Process	% achieved Year to date	% achieved July 2018
APC set up	100	100
AVC Set Up	100	100
Death in Deferment - Calculation of Death Benefits & Est of Beneficiaries	50	0
Death in Deferment - Payment of Benefits	75	50
Death in Retirement - Calculation of Death Benefits & Est of Beneficiaries	87	100
Death in Retirement - Payment of Benefits	70	50
Death in Service - Payment of Benefits	100	100
Deferment	83	21
General Enquiries	50	63
Interfund In - Establish Benefits & Offer Options	100	100



Interfund In - Obtain Previous Service Details	74	83
Interfund In - Update System	58	67
Leaver	61	82
Refund Actual	97.14	85
Refund Quote	91	79
Retirement Actual	95	88
Retirement Estimate	73	47
Transfer In - Establish Benefits and Update System	85	100
Transfer In - Request Payment	71	100
Transfer In Quote - Provide Quote to Member	94	95
Transfer In Quote - Request Transfer Value	98	95
Transfer Out - Payment of Transfer Value	70	17
Transfer Out Quote	88	85

- 4.14 The team is still working with its software provider to refine the processes within the system to ensure that they truly reflect the compliance by the team. For example, some processes rely on third parties to provide information before the next step can be taken. In those cases, the process will be shown as overdue if it goes past the SLA date even though the delay may not be as a result of the team's actions. Once all off processes have been reviewed and updated, the statistics to date will be re-run.
- 4.15 The percentage of deferments, transfers and interfunds completed is lower than expected, this is largely due to resources being diverted to working on the annual returns.
- 4.16 There is now a report that identifies cases which are approaching the target deadline which is going to be a key tool in the management of staff work trays moving forward.

Area Reviews - College Mergers

- 4.17 Three colleges - Carshalton College (Sutton Council fund), Kingston College and Kingston & Sutton Educational Partnership (KSEP, Kingston Council fund), and South Thames College (Local Pensions Fund Authority fund) - proposed to merge on 31 July 2017. Following an assessment completed by the actuaries, the colleges have agreed that the London Pension Fund Authority (LPFA) will be the pension administrator. A direction order was made to DCLG in April 2017 and following a consultation, Kingston College (including Carshalton College and KSEP) was granted admitted status to the LPFA with effect from 1 August 2017. All records have now been transferred to LPFA allowing them to now fully adopt the administration of affected scheme members.



- 4.18 An assesment of both the administration costs and the appropriate recharge value for all retirement lump sums, refunds, and pensions etc. is being made and will be invoiced to the LPFA.

AfC Windsor & Maidenhead

- 4.19 A migration of records from Windsor & Maidenhead has now been completed into the live environment of UPM. There were a number of queries on the data received, and as a result, clarification has been sought from the previous administering authority. Following a response to the queries raised the individual records will be updated manually. An invoice will be issued to AfC shortly in respect of the IT costs incurred.

Bulk Transfers

- 4.20 Barnett Waddingham (Sutton actuary) and Hymans (Kingston actuary) are currently corresponding with the relevant actuaries for the appropriate administering authorities with regard to agreeing an appropriate transfer value.

Accounting Reports (accounting year end 31 July 2018 & 31 August 2018)

- 4.21 Data is being compiled for scheme employers requiring a FRS102 report and IAS19 report and operate for the year ending either 31 July 2018 or 31 August 2018.

GMP Reconciliation Project

- 4.22 Intellica have continued to work on this project and are currently preparing a further data submission to HMRC, having grouped queries under standard categories (roughly 70 different types, of which, approximately 50 are applicable). The next step is a awaiting the outcome of the next data submission to HMRC. At present the project is on time and working to budget.

5. Impacts and Implications

Financial

- 5.1 There are no financial implications arising from the recommendations in this report.

Legal

- 5.2 There are no legal implications arising in this report.



6. Appendices and Background Documents

Appendix letter	Title
A	Service Level Agreements

Background documents
None

Audit Trail		
Version	Final	Date:11 September 2018

Consultation with other officers		
Finance	No	N/A
Legal	No	N/A
Equality Impact Assessment required?	No	N/A

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