

<b>Report to:</b>	Pension Committee	<b>Date:</b>	4 June 2019
<b>Report title:</b>	Pension Administration Update		
<b>Report from:</b>	Richard Simpson, Interim Strategic Director - Resources		
<b>Ward/Areas affected:</b>	Borough Wide		
<b>Chair of Committee/Lead Member:</b>	Councillor Jill Whitehead		
<b>Author(s)/Contact Number(s):</b>	David Kellond, Pensions Administration Manager, 020 8770 6033		
<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>• Making Informed Choices</li> </ul>		
<b>Open/Exempt:</b>	Open		
<b>Signed:</b>		<b>Date:</b>	23 May 2019

## 1. Summary

- 1.1 This report provides an update on the main work streams impacting pensions administration for the period of February 2019 to April 2019.

## 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.
- 3.2 The following projects and annual tasks are highlighted to provide an update on the work the team are completing alongside the day-to-day administration of the schemes.

#### 4. Issues

##### Team Restructure

- 4.1 Prior to the team restructure, the team had 13 posts (11.4 full-time equivalent (FTE)). In addition, a further two posts (1.8 FTE) were long-standing temporary positions. Following the restructure, the team has 16 posts (14.4 FTE) with no ongoing requirement for temporary positions.
- 4.2 Of the three new posts created following the restructure, an offer has been made and accepted for the Pensions Project Officer post, subject to receiving suitable references. Recruitment exercises for both the Senior Pensions Officer and Pensions Officer were unsuccessful. The Senior Pensions Officer post has been readvertised in more targeted locations, applications closed on 19 May 2019. Consideration is being given to recruiting a further apprentice in the place of the vacant Pensions Officer post.

##### Monitoring of Complaints

- 4.3 All complaints regarding decisions made by the team are referred to the Pensions Administration Manager for consideration under the Internal Dispute Resolution Procedure (IDRP).
- 4.4 During this period, a second stage IDRP case was received. This case relates to the restriction on a transfer out of pension rights once within one year of normal retirement date.
- 4.5 In addition, a request for further information was received from the Pensions Ombudsman in relation to a complaint already considered at both IDRP stage one and two. The case is in relation to restrictions on when an Additional Voluntary Contribution (AVC) fund can be used to purchase an annuity in the LGPS and the communication of restrictions surrounding this provision to the member concerned.

##### National Fraud Initiative

- 4.6 Following receipt of the National Fraud Initiative (NFI) reports, a number of death cases were identified which had not been notified to the team. This, however, formed a small proportion of the results as most deaths listed were already known to the team.

##### Accounting Valuation Reports

- 4.7 A major piece of work has been completed by the team to ensure the information within the valuation is accurate. The data was submitted to the relevant actuary and reports produced for those employers within the funds who wished for an accounting valuation report as at 31 March 2019.

Pensions Increase

- 4.8 Owing to a complication pertaining to those pensioners with a post-1988 Guaranteed Minimum Pension (GMP) entitlement, the pensions increase due from 8 April 2019 was misapplied and consequently caused a minor overpayment of pension in the month of April. The average overpayment for those affected is approximately £2.00. The error was largely due to a mistake in applying the increase in the administration system. This has now been resolved and those pensioners affected will be notified by payslip message in May 2019. The process has since been improved to significantly reduce the likelihood of a similar issue occurring in future years.

Annual Returns

- 4.9 Employers for both funds have been requested to submit their annual returns no later than 7 May 2019. This data is then processed and used to update pension records in readiness for the issue of Annual Benefit Statements. Any employers that fail to submit a return by the deadline will be fined until receipt in accordance with the pension administration strategy.

Outstanding Processes

- 4.10 At 30 April 2019, the total number of outstanding processes was as follows:

<b>Total number of open processes</b>	<b>2,679</b>
<b>Total processes overdue</b>	<b>2,231</b>
of which are more than 3 months overdue	1,235

- 4.11 There has been a slight growth in the number of tasks outstanding tasks, this is due to a number of factors including but not limited to the continuation of vacant posts and an increase in annual activities required outside the business as usual.
- 4.12 Work to implement new working practices has also begun to address this issue and enable the team to better focus on the most urgent priority cases. This involves the considerable investment of time in the pensions software system. We have commissioned a report from the software provider to audit the use of the pension administration software and consider how effectively we are using the system.

Service Level Agreements

- 4.13 The service level agreements as stated in the pension administration strategy were set up within the pensions administration software at the beginning of January 2018.
- 4.14 Appendix A lists the SLAs with their associated definition and target.

- 4.15 The table below shows the percentage of SLAs completed within the agreed timescale to date for the current financial year. 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.

<b>Process Name</b>	<b>% Hit</b>
APC Set Up	33.33
Death in Deferment - Payment of Benefits	100.00
Death in Retirement - Calculation of Death Benefits & Est of Beneficiaries	83.33
Death in Retirement - Payment of Benefits	0.00
Deferment	32.22
General Enquiries	44.44
Interfund In - Establish Benefits & Offer Options	100.00
Interfund In - Obtain Previous Service Details	100.00
Interfund In - Update System	12.50
Leaver	92.00
Refund Actual	87.50
Refund Quote	60.92
Retirement Actual	50.00
Retirement Estimate*	0.00*
Transfer In - Establish Benefits and Update System	85.71
Transfer In - Request Payment	0.00
Transfer In Quote - Provide Quote to Member	100.00
Transfer Out - Payment of Transfer Value	75.00
Transfer Out Quote	100.00

\*SLA completion stage has been changed from 'Complete Process' to 'Print Letters' as it is at this point that we have discharged our responsibility to provide the quote, and the subsequent response from the member (prior to complete) should not be measured against the SLA.

- 4.16 As previously reported, 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. We have identified issues around the pending process with our system and are investigating how this can be amended to better reflect the position.

### GMP Reconciliation

- 4.17 Prior to April 1997 the minimum level of benefit the pension fund was required to provide was known as a Guaranteed Minimum Pension (GMP), which still forms part of many members' benefits. When contracting-out ended in April 2016, HM Revenue and Customs (HMRC) no longer tracked contracted-out rights and issued closure schedules to schemes so they can compare these against GMP amounts held on scheme records. This is known as a GMP reconciliation.
- 4.18 Intellica, a third party contracted via Civica for the GMP reconciliation project, are now finalising the data so that we may be issued with a closure report.
- 4.19 The closure report will detail all those members for whom the GMP data held requires amendment. This will have little impact on active and deferred members. However, where pensioner members are over state pension age and in receipt of a GMP amount that requires adjustment, their pensions may have been under or overpaid. Analysis of the closure report will allow for an assessment of the further work required to complete this project.

### Pensions Online

- 4.20 Members of both the Sutton and Kingston Local Pension Boards have raised concerns over the low numbers of active and deferred pension scheme members currently registered to use Pensions Online, given that this is the current means of distributing Annual Benefit Statements.
- 4.21 The table below shows the total number of registered members as at 2 May 2019:

	Registered	%	Unregistered	Total
<b>Active Pension Records</b>	<b>2,761</b>	<b>25.49%</b>	<b>8,069</b>	<b>10,830</b>
<i>LBS</i>	<i>1,276</i>	<i>22.97%</i>	<i>4,279</i>	<i>5,555</i>
<i>RBK</i>	<i>1,485</i>	<i>28.15%</i>	<i>3,790</i>	<i>5,275</i>
<b>Deferred Pension Records</b>	<b>1,613</b>	<b>16.28%</b>	<b>8,294</b>	<b>9,907</b>
<i>LBS</i>	<i>744</i>	<i>16.36%</i>	<i>3,804</i>	<i>4,548</i>
<i>RBK</i>	<i>869</i>	<i>16.22%</i>	<i>4,490</i>	<i>5,359</i>
<b>Total</b>	<b>4,374</b>	<b>21.09%</b>	<b>16,363</b>	<b>20,737</b>

- 4.22 Measures to increase registrations to Pensions Online are being taken in order to promote the system to scheme members. This will include increasing the functionality available to scheme members on the system. Currently, members are only able to amend their address and marital status, together with the ability to view annual benefit statements and membership details (such as service, earnings etc), the ability to make and amend an expression of wish for death grant payment will also be introduced.

4.23 We will increase the awareness of the Pensions Online system within both Sutton and Kingston by way of further reminders within internal communications with employees, coupled with a presence on the intranet.

4.24 Increased communications with scheme employers detailing their registration numbers, and providing communications for them to issue to their employees will also be sent.

**5. Options Considered**

None.

**6. Impacts and Implications**

Financial

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

Legal

6.2 There are no legal implications arising in this report.

**7. Appendices and Background Documents**

Appendix letter	Title
A	Service Level Agreements

Background documents
None

Audit Trail		
Version	Final	Date: 23 May 2019

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