Pension Fund Committee

Date:	**21st March 2017**
Classification:	**General Release**
Title:	**Pension Administration Update**
Report of:	**Lee Witham, Director of People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**Limited**

1. Executive Summary

1.1 Following on from the report submitted at the previous Committee meeting on November 15th 2016, this report gives an update on the performance of the pension administrators Surrey County Council (SCC). The primary purpose of this paper is to provide the Committee with an update on the Key Performance Indicators (KPIs) showing Surrey County Council's (SCC's) performance for the period December 2016 to January 2017. The detailed KPIs are shown in Appendix 1.

1.2 This paper also provides a progress update with regards BT MSP, internal audit, pension administration strategy (PAS) and discretionary policies.

2. Current Position

2.1 The Pension Fund Committee was advised last June that there had been some concerns over the performance of SCC in provision of administrative services to Westminster City Council (WCC) fund members.

2.2 At the November Committee meeting it was highlighted that a new set of KPI measures had been agreed to monitor the performance of SCC and to more accurately reflect the pension member experience. The additional details requested from SCC were drawn from the section 101 agreement between WCC and SCC and agreed in discussion with procurement.

2.3   Following a meeting between WCC and SCC we agreed that these reports would be provided on a quarterly basis in future. The reason for moving to a quarterly report was so that SCC would have the necessary time to provide WCC with the more detailed and meaningful statistics that were requested to more accurately measure performance.

2.4   The new KPIs became live on 1st December and are attached in Appendix 1. These are for 2 months to try and bring us into line to present full quarterly reports to Pension Committee.

2.5   WCC see this as a living document and it will be constantly reviewed to ensure that it provides the data required by WCC and Pension Committee to hold SCC to account in delivering an improved service. It was also agreed that people services would have regular quarterly meetings with SCC to discuss performance against the KPIs.

2.6   People services met with representatives from SCC's pension team on 13th February 2017 to discuss the new KPI structure and review ongoing performance concerns highlighted within the KPIs. People services addressed with SCC the need to improve KPI performance levels in the following areas:

   2.6.1   **Retirement options issued to members** - this area shows a score below what is required. Jason Bailey, pensions manager at SCC recognises the under-performance in this area and has promised increased resources from late February to address this issue.

   2.6.2   **Deferred benefits and payment of lump sum** - deferred benefits is also below what is required (89% and 71% in December and January respectively), however a contributing factor to this is BT's continuing inability to provide the starters and leavers reports that SCC require to be able to fulfil this KPI on time. The starters and leavers reports are key elements of the BT pensions recovery plan. Lump sums for deferred members are only showing as being completed on time in 50% of cases, again Jason Bailey recognises this and new resources were added in late February to address this concern.

   2.6.3   **Transfers out of non-LGPS schemes** - the KPIs currently only show non-LGPS transfers and this will be amended from the next quarter to show LGPS transfers too. This report shows a drop in the performance for non-LGPS transfer out quotations, however payments are at 100%

   2.6.4   **Pension/redundancy estimates** - individual cases fell below the required performance indicator and SCC have agreed to address this.

2.6.5 **Responding to members' correspondence** - this is another area that is red, and from discussions between WCC and SCC this is an area that will also benefit from the extra resources allocated in February.

2.7 SCC have acknowledged the need for a tighter control of case management in order to improve the KPIs. They have reorganised the pension administration team with two new team managers overseeing the running of our service. We will expect to see an improvement in our KPIs moving forward and SCC have committed to this aim.

3. BT MSP Update

3.1 BT have been asked to attend Committee to present an update, however they are yet to confirm their attendance at the time of writing this report. Therefore the update in this paper does not contain the input from BT that was specifically requested.

3.2 At the last Committee meeting BT committed to Councillors that they were implementing a recovery plan to address the key issues affecting the pension administration, these areas were (from November report):

3.2.1 No system report or interface is currently available detailing starters and leavers and other material changes for pension purposes.

3.2.2 Leavers - we are aware that the manual reporting of leavers is not happening in every case and certainly not within the expected timescales.

3.2.3 Starters & Changes - SCC has yet to receive any interface files of joiners data from BT in the current financial year.

3.2.4 Auto enrolment – despite BT confirming that they had re-enrolled individuals who opted out of the LGPS it appears that this did not happen.

3.2.5 Annual Benefits Statements (ABS) – there are approximately 250 individuals who at the time of the last Committee had not received their ABS this year

3.3 There remains a concern over BT's ability to fully resource and deliver the improvement plan. This continues to have a large impact on the internal retained resources in people services that need to do considerable amounts of extra work as a result. While some progress has been made it is clear that BT's recovery plan is behind schedule.

3.3.1 The systems interface that was due to go live at the end of February and be provided to SCC for action in March has not been provided. We await an update from BT on a revised delivery date and assurances this will be delivered.

3.3.2 There are still concerns over starters, leavers and changes. BT is currently only completing starter or leaver forms when asked by people services on an individual basis. Historic reports were due to be delivered by 10th March and monthly reports to be initiated at the same time. We await BT's update on this. In the meantime People Services is having to individually escalate relevant cases through the system, in particular for leavers.

3.3.3 Auto Enrolment - this matter has now been resolved. All eligible members who were not auto enrolled in July were written to and advised of the error and were subsequently opted into the pension scheme in November with guidance on how their membership could be backdated to WCC's auto enrolment date. 194 employees were entitled to be auto enrolled, of which 67 opted out again immediately.

3.3.4 Annual Benefit Statements - a revised file was provided by BT on 10th February which addresses the missing 250 ABSs and promised to correct errors on the original file provided to SCC. However SCC has identified a number of further issues with the file and these matters are now with BT to review. Consequently while some progress has been made this matter is still outstanding. Discussions regarding this file are due to continue during the week commencing 13th March and a verbal update will be given at the Committee meeting.

4   Internal Audit Update

4.1   Kim Edwards, senior HR advisor, met with Homyar Fanibanda from internal audit on 28th February to get an update on the pension administration audit. Homyar advised that he is still finalising his report and he is still waiting on SCC to provide information which remains outstanding. These outstanding items have been escalated accordingly. This audit is looking at the entire administration of the pension scheme, including people services, BT and SCC's roles in the process as well as the timelines and actual calculations of entitlements from the scheme.

5   Risk Register

5.1   Finance will be presenting the risk register to Committee. Within the report, the Operational Administration Reference 25 which has previously shown as an amber risk should now be considered to be a red risk. The reason for this escalation is the continuing failure by BT to provide an accurate data file to SCC in regards to member's pensions. This matter has been escalated for resolution at the highest level with BT. A revised file was provided by BT to SSC on 10th February, and although this file is considerably better than originally supplied by BT, it still contains inaccuracies. Discussions regarding this file are due to continue during the week commencing 13th March and a verbal update will be given at this Committee meeting.

6 **Pension Administration Strategy (PAS) and Discretionary Policies**

6.1 A draft Pension Administration Strategy is being produced and is due to be implemented in the next financial year. However it is essential that the BT contract is performing at the specified level with regards their pension administration performance and that we have confidence that all payments and records made since April 2015 are up to date before we implement. The work to review discretionary policies has unfortunately been delayed due to the impact on internal retained resources who are having to do extra work as a result of the outstanding BT pensions recovery plan.

6.2 Since our go live date with BT on 1st April 2015 there have been a number of issues with regards BT's ability to provide correct and timely pension data to SCC. This has had an impact on people services in that we need to be heavily involved in detailed administration matters in order to ensure individual cases are dealt with and the overall service is improved. Prioritisation of workload has by necessity focused on day to day operational matters and the management of individual cases. There are a number of tasks and projects that have been re-prioritised and delayed in order to focus on the pensions improvement plan and to ensure individual issues are mitigated and resolved.

7. Summary

7.1 Despite the ongoing challenges people services will continue to work with both BT and Surrey County Council to improve the pension service to members going forward and will keep the Committee informed of progress.