

# Pension Fund Committee

<b>Date:</b>	<b>27th June 2017</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Pension Administration Update</b>
<b>Report of:</b>	<b>Lee Witham, Director of People Services</b>
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Service Delivery</b>
<b>Financial Summary:</b>	<b>Limited</b>

## 1. Executive Summary

- 1.1 Following on from the report submitted at the previous Committee meeting on 21 March 2017, the Chairman requested that future reports reflect the performance of the City Council, Surrey County Council, BT and admitted bodies' payroll providers. This report gives an update on the performance of the pension administrators Surrey County Council (SCC) for the period March 2017 to May 2017. The detailed KPIs are shown in Appendix 1.
- 1.2 This paper also provides a progress update with regards BT, internal audit, recovery plan, pension administration strategy (PAS) and discretionary policies.

## 2. Surrey CC Performance

- 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 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 Although it was agreed that these reports would be provided on a quarterly basis, due to continued concerns with some aspects of performance we have reverted to monthly data until we are more confident with the performance of Surrey CC.
- 2.4 People services met with representatives from SCC's pension team on 15<sup>th</sup> June 2017 to discuss the KPIs and review on-going performance concerns highlighted within the KPIs. It should be noted that there has been a steady improvement in KPIs over the last 6 months. At the end of March there were five red measures and four amber measures. Currently this has reduced to three red measures and one amber. Nine of the measures that were of concern at the end of January show an upward trend over the past 6 months. There is one measure with a downward trend which continues to be impacted by BT performance.
- 2.5 People services addressed with SCC the need to improve KPI performance levels in the following red measures:
- 2.5.1 **Deferred benefits sent to members following receipt of leaver notification** – This area remains a serious cause for concern with only 17/30 on time within the April/May reporting periods. It is noted that this is in large part due to the late provision by the payroll providers of the necessary data. Jason Bailey has already placed more resources in this area and WCC continue to pressure BT to provide the data required. In the meanwhile the retained team within People Services are providing data to SCC where possible.
- 2.5.2 **Transfers out of non LGPS schemes- as** on the previous report these show at 86% but it should be noted that the payments remain at 100%.
- 2.5.3 **Responding to members' correspondence** - the performance in this area is slowly improving but falls below the required level despite the extra resources acquired. We will continue to work with SCC to improve this measure.
- 2.6 People Services hold regular meetings with SCC to discuss both day to day issues plus any future matters that need to be planned for, such as pension workshops, future re-organisations which may result in bulk leavers/retirements.
- 2.7 SCC has 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 Performance**

- 3.1 BT has been asked to attend the Pensions Committee to present an update, however they are unlikely to attend while commercial discussions are taking place.
- 3.2 On 7 April 2017 WCC wrote to the Pensions Regulator to advise them of a potential notifiable event under the Pensions Act 2004 that approximately 250 members of the scheme (approximately 15% of the eligible workforce) did not receive their LGPS annual benefit statement by 31 August 2016. We explained the reason for the delay was that our payroll administrator made an error in calculating the LGPS CARE scheme pensionable pay for these employees, such that including the incorrect pensionable pay on their annual benefit statement would have given misleading information to the scheme member. We explained that we had expected the problem to be resolved prior to 31 December 2016 but this date also passed due to our payroll administrator not being able to resolve the calculation issue. A revised deadline of 31st March 2017 was agreed, however on receipt of this data there were still a number of errors which meant we could not issue ABS's to the staff affected. To resolve this matter a council pension officer travelled to our payroll administrator's offices in the North of England to go through the records line by line to finalise the data required.
- 3.3 Since the last Committee meeting in March, Tri-borough staff have been to South Shields and spent a number of days working closely with BT staff to resolve issues with approximately 250 individuals who had not received their ABS for 2015/16. There were an additional 500 individuals identified who had received inaccurate statements. It became clear that BT did not have staff available with the technical knowledge to deal with these issues and identify and resolve exceptions and discrepancies. This was a successful exercise and an accurate return was sent to Surrey CC on 26 May 2017. Surrey is currently checking the data and there is an expectation that 750 ABS's will be sent out by the end of June 2017.
- 3.4 On 3 June 2017 BT presented a LGPS recovery plan to council officers. The plan indicates that BT will not deliver the 2016/17 Annual Benefit Statements for receipt by Pension Fund members by 31 August 2017 and have suggested WCC approach the regulator to pre-warn late delivery. Officers have made it clear on a call to BT on 7<sup>th</sup> June that this is wholly unacceptable and have asked BT to review their plan.
- 3.5 BT had confirmed that the interface for starters/leavers/changes notifications and monthly reports would commence in April 2017. This has been delayed a number of times and the latest date BT have said it will be delivered is 21 June 2017. Council officers are not confident that this date will be met and we will keep members updated on progress. Once the interface is running, an inputs report can be constructed and added to the KPI data being produced.
- 3.6 The issue on running a correction payroll is still outstanding. There has been a high level meeting involving senior officers from the 3 councils, BT and HMRC.

We are awaiting advice from HMRC on the corrective action they want us to take. Where this has had an impact on pension contributions, adjustments may need to be made.

- 3.7 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.

#### **4 Issues log**

- 4.1 At the last Pensions Committee a discussion took place over whether KPIs accurately reflected the experience of fund members. Officers were made aware of 6 cases raised with the unions and have been working closely with the Branch Secretary of UNISON on a case by case basis.
- 4.2 People Services officers have implemented a pensions issue tracker and have a weekly meeting to review progress. These issues have included all of those issues raised from Unison and also any issues raised directly by members or their representatives (e.g. line managers). There are currently 9 issues outstanding. These issues cover a range of matters, including transfers in/out, non-receipt of ABS and ill health benefits. These important cases are monitored on a weekly basis and all parties are kept up to date with progress.

#### **5 Internal Audit Update**

- 5.1 A pensions administration audit was carried out in April 2017. This audit focused on the operations undertaken by Surrey County Council (SCC) who provide the pensions administration service to the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and Westminster City Council. Pension information is highly dependent on information provided by the Council's HR/Payroll provider (BT) and admitted bodies payroll providers. As such a number of the audit tests that would provide assurance on the accuracy and completeness of the pensions administration system could not be undertaken due to issues regarding the accuracy of reporting from BT which are well known to all three councils and are being actively managed.
- 5.2 Although the audit identified that a number of the controls in place for calculating, processing and maintaining the scheme as operated by SCC are appropriate, the weaknesses in the information being provided by BT has impacted on the assurance opinion given to this review. In their opinion, Limited Assurance can be given to Members, the Chief Executives, the Town Clerk and other senior officers that the controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application. This will be reported to the Council's Audit & Performance Committee in September. A number of the recommendations in the audit rely on the performance of BT and the commercial discussions that are on-going, so we are dependent on these having a successful outcome.

## **6 Risk Register**

- 6.1 Finance will be presenting the risk register to Committee. At the last meeting officers asked that Operational Administration Reference 25 which had previously shown as an amber risk should now be considered to be a red risk. This remains a red risk as although BT have said that monthly/end of year interface files will be provided in a format suitable for Surrey CC to update service records and undertake day to day operations by 21 June 2017, council officers are not confident that this date will be met.
- 6.2 In addition BT seems unable to provide an accurate data file for 2016/17 to SCC in regards to member's pensions by the statutory deadline. This matter has been escalated for resolution at the highest level with BT.

## **7 Pension Administration Strategy (PAS) and Discretionary Policies**

- 7.1 A draft Pension Administration Strategy has been produced and is due to be presented at the next Pensions Board. However it is essential that the BT contract is performing at the specified level with regards their pension administration performance. Officers are currently working to an implementation date of 1st September to allow us time to notify the appropriate parties.
- 7.2 A paper on Discretionary Policies is also due to be presented at the next Pensions Board on 6 July 2017.

## **8 Summary**

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