

Date:	14th March 2019
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.** This report provides a summary of the performance of Westminster City Council Pensions Team and Surrey County Council. The report gives an update on the Key Performance Indicator (KPI) performance of the pension administrators Surrey County Council (SCC) for the period November 2018 to January 2019. The detailed KPIs are shown in Appendix 1.

2. Surrey County Council (SCC) Performance

- 2.1.** The scope of the KPIs in this report have been agreed between WCC and SCC based on the section 101 agreement, however they will continue to be reviewed on feedback from all parties, including committee members.
- 2.2.** This paper covers only the period November 2018 to January 2019. The last period reported to committee covered the period up to October 2018. February data was not available at the time of drafting this report although officers have had informal feedback from Surrey that the situation has improved.
- 2.3.** Before we review the KPI data in detail please note we are disappointed to reflect that the KPI performance in November and particularly January 2019 is below expectations. The quarter being reported to the committee was particularly challenging with the go live of the new HR / Payroll contract with Hampshire County Council (HCC) and the establishment of new relationships between HCC and Surrey. Surrey have also advised that January KPI data

was impacted by the closure of the pension office over the Christmas period. WCC have advised Surrey that the performance in the last quarter is not acceptable, especially for any KPI that relates to a payment due to the member.

Surrey have appointed Andrew Marson as their Interim Lead Pension Manager. He started on 18th February 2019 and we have had initial discussions with him concerning performance concerns. We will continue to work closely with him and his team in Surrey to ensure performance improves.

- 2.4. The headlines from the KPI performance in appendix 1 is summarised below:
 - 2.4.1. **Death benefits.** There were 3 cases in January 2019, 1 of which had a late letter sent out to the dependents to make a claim in relation to the case.
 - 2.4.2. **Retirement options issued to members.** Out of 8 cases processed in January, 1 case was late.
 - 2.4.3. **New retirement benefit processed for payment.** One out of seven cases processed late in November.
 - 2.4.4. **New retirement payment of pension paid on the next available payment run.** 1 out of 7 cases late in November.
 - 2.4.5. **Refund of contributions.** 2 out of 8 late in January.
 - 2.4.6. **Deferred benefit statements sent following notification of leaver.** 1 out of 12 cases late in November and one out of seven cases in December. In January there were 36 cases and they were all sent out on time. It is important to note the increasing volumes that are coming through as leaver information is being chased up.
 - 2.4.7. **Notification to deferred members two months before payment due.** No cases were late during the period but note the large number of cases going through particularly in January 2019 with 51 processed.
 - 2.4.8. **Lump Sum paid in 5 days.** 3 cases out of 21 were late in January this is particularly disappointing as it impacts members receiving funds.
 - 2.4.9. **Deferred retirement pension payment on the next available pay run.** 3 cases out of 21 were late in January this is particularly disappointing as it impacts members receiving funds.
 - 2.4.10. **New joiners processed.** No late cases actioned here but wanted to point out the large number of cases that Surrey technical team had to set up in January: 115 following the first HCC file upload.

2.4.11. Transfers out. 1 case out of 6 late in January, although this would not impact payment to members immediately.

2.4.12. Interfunds in. 2 cases out of 7 late in November followed by 1 of 5 in December. January was 100% on target. This would not impact payment of benefit to the member immediately.

2.4.13. Correspondence. 1 case of 21 late in November, fully on target in December but 1 out of 11 cases late again in January.

3. Data Issues

3.1. In our last administration update we advised the committee of our common and scheme specific data scores and advised we were developing a data improvement plan to cleanse the data. Our common data score is 77% and the scheme specific data is 71%. The data is split into Status 1 queries that relate to what are believed to be active member pay queries and Status 2 that relate to members that we know have left but have uncompleted leaver forms.

3.2. The main data issue is in relation to status 2 queries for leavers of the scheme, where employers have not provided leaver confirmation data. Across the whole fund WCC has approximately 1500 status 2, member records, a majority of which are uncompleted leaver records. This is where the administrators know that the individual has left employment, but the employer has not provided the necessary pensionable pay details to award a pension promise. Westminster as the main employer has over 900 of these cases.

In addition, we have identified in the initial data dive that the WCC fund has approximately 2000 Status 1 active queries that relate to the members pay, of which 1167 are potentially people who have opted out but need to be checked. Meaning there are 917 active queries split across 38 employers a majority are likely to relate to scheme leavers. We believe that there are approximately 300+ records relating to Westminster as the main employer.

3.3. People Services have appointed an additional officer to manage our data improvement work. That Officer has contacted the 35 scheme employers with Status 2 queries, to ensure that if a member is no longer in the scheme, leaver data is completed and forwarded to Surrey to update their records. At the time of drafting this report approximately 72% of employers had responded with a second round of chasers being sent week beginning 4th March 2019.

In addition, Status 1 queries are being co-ordinated to ensure the Surrey admin team process these in a timely manner. All Status 1 queries have gone to the appropriate 27 employers. With the first chaser emails sent the week commencing 26th February 2019.

3.4. The WCC in-house pension team are looking at the Westminster legacy status 2 cases left by BT. They are working to complete the calculations and cleanse data, so it can be processed and the member record updated. At the date of writing this report approximately 30 cases have been completed and are ready

for processing by the Surrey pension administration team. Progress is being monitored on a weekly basis and we are currently looking to increase resources to ensure we can complete responses prior to our data being sent to the actuary for the next fund valuation in July 2019.

- 3.5.** People services in conjunction with our colleagues in the Royal Borough of Kensington and Chelsea and London Borough of Hammersmith and Fulham have agreed to fund an additional 6-month post at Surrey to support the data cleanse work including the active (status 1) pay queries. All three boroughs have very similar data issues following the contract with BT, the cost of the additional resource is £14.5K for six months.
- 3.6.** Surrey have advised us that they do not have the internal resource to process the large number of status 2 cases. Surrey who have their own administration backlog are outsourcing their cases to JLT, a company who are experienced in pension data reconciliation, at £19 a case. Given that Surrey has their own backlog and are the administrator for both RBKC and LBHF who also have backlogs, Surrey has asked if WCC wish to be included in this project work and push through as many cases as we can before the end of July. The cost for all 1500 cases would be £28,500.
- 3.7.** People Services are recommending to the Committee that we engage with Surrey to get JLT to process as many of our Status 2 leaver cases as possible before the end of July at an estimated maximum cost of £28,500 . If People Services need to appoint additional resource to support the calculation internally we would also seek consent for this.
- 3.8.** The WCC in-house team are also heavily involved with other projects including supporting the LGPS end of year return for 18/19.

4. HCC Performance

- 4.1** The contract with (HCC) is now live and we are in a stabilisation period. The team is working hard with HCC to ensure that leaver details are going over to Surrey monthly to stop the situation described reoccurring.

5. City West Homes

We are advising the committee that City West Homes is being brought back in house to Westminster City Council from the 1st of April 2019. A large number of current City West Homes staff work for a limited subsidiary and are currently in the Peoples Pension as opposed to the LGPS. The benefits of the Peoples Pension are generally not as valuable as the LGPS and those members do pay significantly less for their pension arrangement. The insourcing is requiring significant support from People Services and staff being TUPE'd in have been offered pension surgery sessions to explain the benefits of the LGPS scheme.

6. LGPS Return 18/19

People Services staff are working with RBKC and LBHF colleagues to produce part year LGPS returns that will have to be added to data that Hampshire produces for the period December 2018 to March 2019. Work is detailed and complex with a target date of the middle of April 2019 to complete. The return work is a key priority for the team as valuation will not be possible without the return and it will impact the provision of members benefits.

There is also work being undertaken to ensure that all fund employers get their end of year return into Surrey by the 30th of April to ensure there is time to clean the data prior to valuation.

7. Western Union Existence

- 7.1** People services have previously advised the committee that we have asked Western Union to run an existence exercise to check that pensions being paid to overseas based pensioners are still due. The fund now completes an existence check monthly for UK based pensioners. We have identified 159 overseas based pensioners where we have full name details and can complete the exercise. We have a further 89 pensioners where despite investigation we only have an initial and not the members full name.

We have asked Western Union to write to all overseas pensioners in the first week of March advising them that the fund has appointed Western Union to act as our agents for the existence checking. The initial letter will include a contact in the People Services team if pensioners wish to check the authenticity of the exercise. Members will be asked to provide their full name so that records can be updated. Six weeks after the initial letter, Western Union will send out the existence letters for all pensioners where we have the full name. Pensioners will be invited into the local Western Union office with their ID and offered a £10 incentive payment. Where we have been unable to obtain a full name and an existence process cannot be carried out, we will need to look at alternative options. We will come back to the committee at a future date quantifying the outstanding numbers affected and the options available.

8. Risk Register

- 8.1** The main risk for the Pensions Team going forward will be Risk 27 Operational Administration completing the LGPS return for WCC ensuring that all fund employers do likewise. Improving the data quality as much as possible for all employers.

9. Summary

- 9.1** This is currently a very challenging time for the Pensions Team who are balancing several competing priorities. However, our focus will be on ensuring the LGPS return for 18/19 is completed on time. Additionally, ensuring that the data quality issues are addressed and the need to work closely with HCC to ensure we do not face this situation in the future.

