

Date:	31st March 2021
Classification:	General Release
Title:	Pension Administration Update
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Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	Limited

1. Executive Summary

- 1.1. This report gives an update on the response of the pension administration service to the COVID pandemic in section 2. In section 3, the report sets out a summary of our KPI data for the year April 2020 to February 2021 to give the board an outline of general case progress in the last year.
- 1.2. There is an update on the situation at Orbis, the funds software procurement, for end of year 2020 and the planned existence project for 2020/ 2021.

2. The Impact of COVID

- 2.1 Since the last Pension Board meeting I can confirm that the team has been working primarily on our pension administration service and have continued to work at home with limited access to the office. Home working has now become normal practice for staff and work continues on a similar level to the pre pandemic work levels as our KPI data shows. Someone has been going into the office at least once a week in part to maintain social contact and to ensure that any post that is received is dealt with promptly.
- 2.2 There has been a general increase in the numbers of deaths that the team have been dealing with in the last year. Our mortality screening, use of the tell us once service, NFI audit and address tracing service are running with Target who have identified some deceased members. The administration team appear to be coping well with the additional stress of dealing with death cases at this time.

3. KPI Performance

- 3.1 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 board members.
- 3.2 As we are nearly at the end of the Financial year this report provides a look at the KPI performance over the last year between April 2020 and February 2021. March 2021 data is not yet available at the time of writing this report.
- 3.3 KPI performance in appendix 1 is summarised below:
- 3.4 Overall the KPI data in 20/21 was positive, particularly considering the administration team had to cope with the changes that the pandemic brought to the way that they worked. This included going from an office environment where the majority of staff worked 5 days a week in the office to an environment where people were expected to work primarily at home. Some of the team initially worked at home on their own laptop devices until the service could adapt to provide them with the relevant hardware.
- 3.5 Of course not every KPI was 100% in every month and there were some that have been more inconsistent over the course of the last financial year. Of note were that 7 retirement benefits were processed late in the year but this was out of 132 cases. Although the majority of late cases were only late by a few days there was one late case in January that was processed 45 days late and we have asked for an explanation.
- 3.6 The second KPI of concern was the payment of lump sums which should be processed within 5 days of receipt of all information. There were 22 cases paid late over a number of months though September 2020 was a poor period for this KPI. I understand that holiday taken by staff in August / September impacted some KPI's but people were more restricted in terms of taking their holiday in 2020. There were 187 lump sum payments made during the year and the majority were in time.
- 3.7 The remaining KPIs were overall within an expected level and are set out in full in appendix 1.

4. Western Union Existence Exercise.

- 4.1 The board will remember we advised them at the prior meeting that we intended to run a second existence exercise in 2020 following on from the prior successful project in 2019.
- 4.2 The existence exercise was commenced in September 2020 following a reduction in coronavirus infections across the world and the opening up of many economies. Members living overseas were offered a choice of either returning a

traditional life certificate or collecting a £10 payment for turning up at a local Western Union agent. In January 2021 however we realised that the situation with the virus had changed in many countries and we concluded that it would be unfair on elderly members to expect them to complete an existence exercise when many countries were in lockdown or had significant infections.

- 4.3 We initially started the project back in September 2020 with 257 pensioners in scope. When we closed down the project on the 8th of January 2021, we had received confirmation that 78 people had actually completed an existence check with Western Union and collected their £10. A further 126 people had returned a witnessed life certificate to us and we had 53 pensioners who had not completed either option. We wrote out on the 12th of January to the 53 people to advise them that we were closing the project early due to safety concerns and that we would not be suspending any pensions this year.
- 4.4 We will review running a new existence project next year depending on the situation world wide with the pandemic. We still think that this years exercise was meaningful and allowed the fund to continue engagement with those members overseas.

5. Data Work

- 5.1 The committee have previously been advised that we identified back in 2019 that there were 3000 gone away address records located on our administration system. Our former consultant agreed a contract with a tracing company called Target. We broke the 3000 records down into manageable batches to send for tracing based on the priority of the groups. Now that our consultant has left, the project continues under the management of Tracey Fuller in the pension and payroll team.
- 5.2 The first group was the 753 deferred records for members aged over 55, (and 17 pensioners) these phases of the date tracing projects are now complete with Target able to find over 86% of deferred cases.
- 5.3 In addition, we have also sent Target 317 cases of frozen refunds. These are records that Surrey have started to process however these members have left the Fund some time ago and have not received a refund that they were due. We need these members traced for their current address for Surrey County Council to be able to process these refunds to members. Target were able to locate 230 addresses including 2 confirmed as unfortunately deceased. These addresses have been sent to Surrey County Council who have confirmed that the addresses have been loaded on to their Altair database. This phase of the tracing project is now complete with Target, this is 72.5% of frozen refund cases. In relation to the 87 cases which Target were unable to locate addresses for, we have liaised with a member of the Benefits and Revenues Team at Westminster City Council and have arranged for 80 of those to be passed to Capita for an additional free trace.

- 5.4 Following on from the frozen refund project, we are continuing to trace addresses in batches, populations currently working on listed below:

Additional 211 records for Deferred – Age population, 55 and over.

To date Target have successfully located 145 addresses including 7 unfortunately confirmed as deceased. This is over 68% of deferred 55 and over cases so far.

437 records for Deferred – Age population 54 – 50

To date Target have successfully located 336 addresses. This is over 76% of deferred 54 to 50 cases so far.

325 records for Deferred – Age population 49- 45

This population has recently commenced, the first update indicates that 63 have been successfully traced with 4 successful international traces. We intend to continue to trace addresses for all the deferred status populations above and will update going forward.

Status 2 – Undecided leavers

- 5.5 The Fund has now closed down the status 2 project with ITM. ITM completed 882 cases in total over the project and 98 cases that had been with them to action were returned uncompleted as employers did not provide accurate data to process for these cases. As at 31/01/2021, our membership data shows we have 104 cases in the status 2 membership category but not all cases were passed to ITM. When we originally looked at the status 2 data we had in excess of a 1000 cases so the work undertaken with ITM originally managed by Eleanor and since her departure by Zuzana Fernandes in the Pension and Payroll team has proven to be successful. The administration team also picked up some cases before ITM were given the original data to work upon.
- 5.6 The cases that remain are where we have not been able to get employers to provide accurate responses that allowed cases to be resolved. Zuzana has been engaging with employers and we will continue to do so to chase up relevant responses, but any information now received will be sent to the administration team to deal with as part of the business as usual work.

6. Surrey – The Future Pension Administration Service.

- 6.1 On the 2nd of July 2020, Surrey asked officers to attend a presentation with senior staff at short notice. During that meeting Surrey advised us that they wanted to in effect treble our contract price with no ability on our behalf to clawback anything for poor performance. They also wanted to standardise KPI

across their client base though they would not advise us of their proposals for KPI and wanted to agree that Surrey would in effect agree the admin approach to issues centrally without any reference to us.

- 6.2 Officers were asked to notify Surrey by September 2020 that we would comply with this request or confirm that we were exiting the service and that they would expect us to do so within 12 months. This was a complete turn around as up until that point WCC had been trying to agree acceptable terms with Surrey for a new 101 agreement to take the service forward.
- 6.2 The Strategic Pension Officer reviewed options on the market for WCC as an alternative to Surrey. This included looking at the Wandsworth partnership, however it was determined that moving the administration service to Hampshire under a shared service arrangement would be in the best interests of the fund. Hampshire provides finance, HR and payroll back office support for Westminster council which is the largest employer in the Westminster fund. The synergy of having the pension administration under the same organisational roof as the back office HR and payroll support should benefit members and ensure member queries are dealt with quickly.
- 6.3 A project manager, Diana McDonell- Pascoe has been seconded into People Services working to the Strategic Pension Lead and will be running the transfer project on behalf of WCC, working in partnership with Hampshire and Civica the new pension software provider.
- 6.4 The service is due to go live with Hampshire in early November 2021 and we will update the board as we go forward with our progress.
- 6.5 A point to note is that the current software provider Aquila Heywood are not happy that WCC have made the decision to move our service to Hampshire as this service uses a rival product. WCC had agreed a variation to our original software contract that should allow for a termination with reasonable notice but the company are stating that they want the full contract honoured. WCC is in discussions with the company.
- 6.6 Additionally the Pension Board will want to know that Surrey is now in the process of working with all borough's using their service to exit during the next year. The London Borough of Hillingdon is also moving their pension administration service from Surrey to Hampshire and we will be working closely with them. At the same time the Orbis brand, which was a shared service arrangement between Surrey and East Sussex is being disbanded on the 1st of April 2021. As a result of this Westminster's pension administration is moving from the East Sussex team to the Surrey team on the 1st of April 2021. Officers have expressed their thanks to the East Sussex pension administration team for their solid support in the last 5 years.

7 The Exit Cap, Compensation Changes, McCloud and Minimum Retirement Age

- 7.1 After the last Board meeting the Government introduced an exit cap on the 4th of November 2020 to limit payments on exit for an individual to more than £95K. The £95K would include payments into the pension fund where pension was released early. A number of organisations were in the process of taking the Government to a judicial review that was due to be held at the end of March. On the 12th of February the Treasury announced that the exit cap was being revoked due to unforeseen consequences.
- 7.2 Further compensation restrictions may still follow and it's possible the cap will be revised in some format in the future.
- 7.3 The Government published its response to the McCloud consultation in February. In summary, the Government is accepting the proposed deferred underpin approach whereby for the members in scope, the fund will have to calculate for years to come if a member would have been better off in the old final salary arrangement or in the current CARE arrangement. For many people their pension will not be enhanced, but an initial underpin calculation will have to be completed and then another when the benefits are due to come into payment so members can make a decision when their benefits come into payment and they know what their final whole time salary. The burden on administration costs going forward is likely to be more impactful than any increase in pension benefits.
- 7.4 Currently there is no timetable to complete the McCloud work. The project will involve reviewing our current data and collecting missing data from employers that allows for the accurate calculation of whole time pay necessary for any underpin calculation. Given the fund is planning to move pension administrators in 2021, the current approach is that we intend to delay collecting data ideally until we move to our new contractor unless we have to do so through legislation. The majority of people currently reaching retirement age will have benefitted from the increased accrual the CARE scheme gave them from 2014 rather than the increase linked to final salary increases. So far, we have not spent any monies reviewing our data for McCloud yet but will discuss with the new administrator
- 7.5 The Government has announced another consultation impacting the world of pensions. The latest consultation concerns a proposed increase in the minimum age at which someone can draw pension benefits other than on ill health grounds from 55 to 57 by 2028. The consultation further suggests additional complexity in that current members would retain the 55 minimum retirement age whilst new members would have a minimum 57 retirement age. The fact that members will have different retirement ages, depending on when they joined the scheme, will need to be carefully navigated should this be implemented. The proposal around the increase centres on the desire to maintain a ten year gap

between the State Pension Age (SPA) and the earliest date at which members can draw funds. The fund will submit a response to the consultation.

8. Summary

- 8.1 The pension administration service has been working on a pre pandemic basis for much of 20/21 and now everyone is assimilated to working at home.
- 8.2 The KPI data overall is pretty good for the year.
- 8.3 An existence project was run in the Autumn of 2020 but this was closed early due to the situation with the pandemic around the world. We still engaged with our pensioners based overseas and the majority of them either returned a life certificate or completed an existence check.
- 8.4 Of the two main data projects that had been running the Status 2 project was closed down in early January with the majority of cases completed. The address tracing project continues with different batches being sent for trace. Overall, we are pleased with the results of the tracing exercise.
- 8.5 The fund has made the decision to exit the Surrey service after a price increase and demands from Surrey that officers did not feel was in the interests of members. The service is due to transfer to Hampshire later in 2021 the board will be kept up to date as the project progresses. Our pension administration service is moving from East Sussex to Surrey on the 1st of April.
- 8.6 The exit cap was introduced and then revoked though we believe it will come back. We are waiting for more detail on the timetable and the regulations to cover the McCloud solution. We are hoping that the fund is not expected to take any action whilst we are in the middle of our exit to Hampshire. A new consultation on increasing the minimum retirement age to 57 has also been sent out.