

# Pension Fund Committee

**Date:** 20<sup>th</sup> June 2019

**Classification:** General Release

**Title:** Pension Administration Update

**Report of:** Sarah Hay, Pensions Officer 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 Surrey County Council (SCC) with the Key Performance Indicator (KPI) for the period February 2019 to April 2019. The detailed KPIs are shown in Appendix 1, There have been some performance concerns in the period outlined in section 2. This report also provides the detail of the current data cleansing projects and the progress that has been made in resolving data queries ahead of the pension fund valuation in section 3. Section 4 outlines the progress that is being made in creating a WCC end of year file with section 5 outlining the current progress on the Western Union existence check for overseas pensioners. Finally, section 6 confirms the current position with Hampshire County Council (HCC) and the insourcing of City West Homes (CWH) in April 2019.

## 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 the period of February 2019 to April 2019. January 2019 data has been retained in the appendix for comparison.
- 2.3 Surrey County Council have appointed an interim Pension Manager, Andrew Marston. The Pensions officer has attended a first quarterly contract meeting

with Mr Marston on the 24<sup>th</sup> of April. Mr Marston also attended the WCC Pension AGM on the 17<sup>th</sup> of April.

- 2.4 KPI performance in appendix 1 is summarised below:
- 2.5 At the last committee meeting we reported disappointing KPI results for November 18 and in January 2019. Although there was improvement in both February and March there continued to be a number of KPI failures. The issue was raised with Surrey management and The pension officer has raised the matter with the administration team directly in Lewes, East Sussex where our administration is carried via a visit on the 25<sup>th</sup> April. We have been advised that the reason for the majority of KPI failures is that the administrators were not checking all parts of the workflow system through which cases are allocated out to the team. This is because most of our administration is completed by the team in Lewes but Surrey have a separate system and where they received a response for a Westminster case the work would be logged onto their system. The administrators are now checking both systems for workflow and we are pleased to note that the April 2019 KPI are much better with only one case outside of the required standard. Details of the KPI issues are detailed below.
- 2.6 There were two late refunds processed in February 2019. Three deferred benefit statements were sent late in February and March 2019. One notification to the member for the payment of a preserved pension was sent late. Two late payments of lump sums and pension being brought into payment were late in February and March. transfer out was paid late and finally 2 responses to correspondence within 10 days were sent late during the period. One response to a correspondence was late in March and also in April 2019.
- 2.7 The Correspondence in April 2019 was very late at taking 32 days for a response. This query was in relation to a widow pension and was being dealt with by the pension payroll team. The reason given by the team for the late response was simply that the letter arrived at a busy time of year and it was missed amongst other work the team had to complete. The pension team have advised that they do not have any complaints in progress as a result of the delays but we will review this with the team going forward.

### **3. Data Cleansing**

- 3.1 The Status 2 project has been running since March 2019, the first phase of the project has involved getting all of the fund employers to return data where a missing leaver otherwise known as a Status 2 has been identified. This phase included producing 906 cases for which Westminster City Council (WCC) is the employer. The only employer not to complete data necessary for the Status 2 project is City West Homes (CWH) who have 140 Status 2 data queries, a dedicated pension officer with CWH experience is working through these cases and has completed 39 to date.

- 3.2 Westminster have agreed the completion of approximately 1500 Status 2 cases across the City of Westminster (CoW) pension fund to JLT at a cost of up to £19 a case. Surrey are project managing the status 2 resolution on behalf of Westminster and a number of other funds that they provide administration services for. All of the Westminster data is currently with Surrey apart from the CWH data which is still being processed.
- 3.3 Of the 535 cases Surrey have sent to JLT, 163 have been processed and are waiting to be checked and a further 75 have been both processed, checked and are complete. Progress is slower than we would have anticipated due to Surrey resourcing, their decision to significantly reduce the number of batches forwarded and JLT checking process.
- 3.4 The Pension Officer and The Pension Project officer met with the Surrey project manager for the contract with JLT on the 13<sup>th</sup> of June. The project manager confirmed that the checking situation had been escalated to the head of the project at JLT and that he had taken responsibility for the failure to progress the cases through checking as quickly as was originally outlined in the contract for the work. JLT are appointing an additional four checking resources from the one existing resource to the project. JLT are going to report back to Surrey on the 18<sup>th</sup> of June on the revised timescale for processing and checking cases. After JLT has reported back to Surrey will we have better visibility of the work that will be processed ahead of valuation and are seeking assurance from JLT and Surrey that the work will be processed before the deadline.
- 3.5 Progress on the Status 1 errors continues, there were 1283 total errors across the 5 memberships groups of actives, deferred, pensioners, dependants and undecided, at the end of April 2019. This has gone down by 39% to 498. The admin team has switched to focus for May and June 2019 to look at the year-end files from all employers in the fund. Once this is completed attention will be returned to the Status 1 errors.
- 3.6 There were 533 active level 1 queries (the most valuation impacting area) that appeared to be WCC employer cases. However, we referred these back to Surrey technical team to identify the true employer as some of the payroll references did not match a WCC format. The revised number of active level queries were 454. Only reducing the active queries by 79. Of the 454 active level 1 queries the WCC team have been able to work through 221 records to date. This data has not been provided to Surrey while they process the end of year files for our fund employers. We will review options with Surrey once the LGPS end of year file loads once the main Westminster file loads and the status 2 cases start moving through.

#### **4. LGPS End of Year File 18 / 19**

- 4.1 The LGPS end of year project is ongoing. The People Services team have recalculated 107 of cases for the return where data from BT was incorrect. The BT part of the file we are now happy with. We have received a part year file from

HCC and have raised a number of queries on the data that they initially submitted. HCC are amending the file and that should be returned to us on Tuesday the 11<sup>th</sup> of June. When the HCC data is returned the two parts of the file need to be amalgamated into one return and submitted to Surrey. At the time of writing this report we are hoping that this will be by close on the 14<sup>th</sup> of June as the final amalgamation should be relatively easy having reviewed issues as a result of seeing the initial HCC file. Confirmation will be provided at the committee meeting.

- 4.2 All other fund employers have now submitted their files for end of year. The delay to the submission of the main WCC file will give little time to address any queries prior to data having to go to the actuary at the end of July 2019. We are satisfied that the quality of the data is much improved from last year.

## **5. Western Union Existence Checking**

- 5.1 The fund has started an existence checking exercise with Western Union for all of our overseas based pensioners. The existence checking will involve inviting the pensioner to attend a local WU office with identification to confirm their continued entitlement to benefit from the fund. For attending the existence check the member will be given £10 for their inconvenience but this will help the fund reduce or stop overpayments following a members death. Pensioners whom are based within the United Kingdom have their records subject to monthly mortality screening and therefore the risk of overpayment for these members is much lower.
- 5.2 When we started looking at the existence exercise we realised that many of our pensioner records did not hold a full name but only initials and a surname. In order to complete a full existence check, we need to hold the full name so that the Western Union agent can check the name against the members identification. 91 individuals were written to in March and asked to confirm their full name for our records. We had 36 responses with full names in the first 3 weeks plus we were notified of 4 pensioner deaths. We have then moved to start full existence checking for 171 people that includes people we already had full name details for and the 36 people who had responded in time to be included in this years project.
- 5.3 Responses have continued to come in from those members we wrote to in March and 16 additional people have confirmed their full name and will be included in next years existence exercise. At the time of writing this report we are waiting for 35 responses for full name details. A decision was taken to run a life certificate exercise for any record that we have not had a response for by Friday 3<sup>rd</sup> of May if the individual had not had a life certificate already completed in the previous year as many had. There are ten individuals as a result that were sent a Life Certificate on the 9<sup>th</sup> of May 2019. At the time of writing this report we have had notification on one additional death and three completed certificates. We are waiting for six responses and will proceed with suspending the pension from July for any that we do not have a response for by the time the July pension payroll is run. Names are being updated from Life Certificates directly

onto the Altair pension system to ensure that individuals can be included in the existence check going forward.

- 5.4 The first warm up letters have gone to pensioners in the first week of May, this letter introduced Western Union as our partner and advise that the existence exercise will be starting this month with details to follow. The warm up letter is to reduce the concern amongst pensioners of fraud which can occur when this exercise is first implemented. The second letter that will actually invite the 171 people to their local Western Union office to complete the existence process will be going in the second week of June.

## **6. Hampshire City Council (HCC) and City West Homes (CWH)**

- 6.1 The new HR / Payroll contract with HCC is still in a stabilisation period. There have been a few issues setting up suppliers for payment for the first time in SAP and a few HR/ Payroll issues. The service is much improved than under the previous provider BT. In addition, we insourced 426 staff from City West Homes on the 1<sup>st</sup> of April 2019. Payroll in April was successful, the fund will have a number of people being opted into the LGPS for the first time. A number of people at CWH had previously only had access to the peoples' pension which is a lower costing and benefit pension arrangement. We have a few people opt out of the LGPS from the transferred staff but also a number of people taking up the 50 / 50 option that the LGPS offers so we are pleased to note that people are considering this when they look at the additional cost of the LGPS benefit.

## **7. Summary**

- 7.1 The Pension Administration KPIs were disappointing in February and March but were much improved in April and we hope that now the administration team are aware of the reason so many were not meeting the required standard that this will not be repeated.
- 7.2 The data cleansing work as made significant progress since the last committee report in March. It is great news that all of Westminster Council status 2 leaver details 906 in total have been provided to Surrey ready for processing and in addition many of the other fund employers have also responded. Work continues with our internal City West Homes resource to complete data on an ongoing basis for them. The priority here is ensuring that the contractor JLT complete the calculations and the checking necessary before the end of July when the data needs to go to the actuary.
- 7.3 The LGPS end of year file for Westminster City Council is being completed later than we wanted. We are confident though that the work in turning around the BT data into a compliant format and the work done in conjunction with HCC will allow the file to be returned by the committee meeting and should be a high level of accuracy necessary for valuation and in addition so that individuals can have their annual statement available by the 31<sup>st</sup> of August.

- 7.4 The Western Union existence project is underway and we now have full name details for the vast majority of our overseas pensioners so that full existence can be completed in future years without this delay. Where responses had not been received to the request for information we have sent life certificates out if those individuals had not already had one in the last year. At the time of writing this report we were waiting for 6 people to reply to this and we will be suspending those pensions in July without a response.
- 7.5 Finally we are pleased to advise that the insourcing of City West Homes (CWH) has been successful and the pension fund will have seen an increase in numbers joining the pension fund as a result.