

Pension Fund Committee

Date:	23rd January 2020
Classification:	General Release
Title:	Pension Administration Update
Report of:	Sarah Hay, Pensions Officer People Services Eleanor Dennis (Interim)
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	Limited

1. Introduction

- 1.1. This report provides a summary of the performance of Surrey County Council (SCC) with the Key Performance Indicator (KPI) for the period September 2019 to December 2019. The detailed KPIs are shown in Appendix 1, There have been some improvements 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 update on the existence exercise following the suspension of 22 pensions in October.

2. Executive Summary

- 2.1. The Pension Administration KPIs for the period September 2019 to December 2019 are generally positive.
- 2.2. The data score improvements in the last year demonstrate the impact of the work that has been undertaken in the last 12 months. JLT processing has now ceased and Westminster City Council (WCC) are working with ITM, a data service specialist to understand the true picture of WCC data issues.
- 2.3. The tracing company Target, have made good progress and identified up to date addresses for WCC members with preserved benefits.

- 2.4. Further to the existence exercise and following the suspension of pension to 22 overseas based pensioners in October, 5 have been in contact with the pension team and their pension has been reinstated. This means that 17 pensions remain suspended with further action to be agreed.
- 2.5. Discussions were underway with Surrey for a new 101 agreement. However, discussions were halted to ensure that WCC requirements are met. WCC is now taking the lead in defining this new agreement with Finance and the HR Pensions team collaborating to draft the new agreement to ensure requirements and expectations are captured. Once complete, this will allow discussion with Surrey to recommence. The agreement will need to reflect the service that the Fund requires and in particular to ensure that our data is being continuously monitored and if necessary improved going forward. The hope is that the committee will be provided with details of the draft proposal at the next committee meeting.

3. Surrey County Council (SCC) Performance

- 3.1 This paper covers the period September 2019 to December 2019. Workloads were reasonable in the period although there was a peak in October following a number of people leaving one of the fund employers. In addition, there were a number of higher earner cases that needed to be looked at as part of the annual allowance exercise.

Overall the performance as reflected in the KPI's was good.

- 3.2 KPI performance in appendix 1 is summarised below:

- 3.21 We are pleased to report that during this period no death in service cases were processed late. Out of 31 retirement option forms issued, 28 were within the KPI measure. Otherwise all KPI regarding payment of pension, lump sums and refunds were 100% accurate and on time.
- 3.22 We are disappointed that in moving to an automation system the notification to members with deferred benefits of possible pension due has been reduced from 2 months to 1 month before due date. We are talking to Orbis about ensuring the timescale is restored going forward.
- 3.23 1 interfund out was paid late by 10 days in December - the case was missed from workloads. Out of 438 amendments, 1 was processed late during the period. Additionally 2 correspondence responses were processed late in December.

4. Data Cleansing

- 4.1 The committee were advised in the previous report about the improvement in our funds data quality scores which are set out below.

2019

Common Data Score	89.9%
Conditional (Scheme Specific) Data Score	93.1%

- 4.2 The data scores we currently have are very good and they reflect the work that the fund has been done lead by the Lead Interim Pension Specialist. We have now received the full data quality report for 2018/19, which will be used in conjunction with the analysis piece that ITM will carrying out for WCC to agree a solution going forward.
- 4.3 The Status 2 project has been running since March 2019, all approximately 1500 Status 2 cases have been completed by the fund employer providing the relevant payroll leaver information to the Surrey team. As agreed with Committee, previously WCC had elected to ask a third party JLT to process our Status 2 cases due in part to the pension fund valuation and the limited resources to process the data prior to valuation. JLT ceased working on these cases on 15 December 2019 and Surrey have taken responsibility to chase for the remainder outstanding data that JLT had started to process. However the remainder cases will be included in the solution for all status 1 and status 2 cases once the analysis by ITM is complete.
- 4.4 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. We are awaiting the invoices for the work that JLT have completed but note that they are proposing to charge us 75% of the full cost for the 24 per started but incomplete cases. Nothing has been agreed with JLT / Orbis for uncompleted cases. In total 469 cases were processed by JLT, of the 606 originally sent to them the remainder were processed by Surrey and 24 remain outstanding.
- 4.4 We are still in a position where the remaining cases in addition to the 900 that were not sent to JLT need to be processed and we are aware that there are additional backlogs that came to light partly as a result of the data quality reporting that was first done last year and partly where Orbis identified issues to us following questioning lead by Eleanor on behalf of the Fund.
- 4.5 Orbis have made it clear that they do not have resource to deal with the backlog and have confirmed that this would cost an estimated £40k with a lead time of 2-4 months as they would need to recruit staff. Therefore, the Senior Payroll and Pensions Adviser has decided to explore the possibility of another company, ITM, working on the status 2 backlog. There are 900 plus fund members waiting for their record to be correctly processed currently.

- 4.6 Initial conversations with ITM have been positive, they appear to have a thought out approach to the proposed project. A reference was sought from Kent County Council who had worked with ITM on a similar project and the feedback provided confirmed their ability to do the work and communicate clearly with all the stakeholders. ITM prefer to run an analysis piece of work before they take on any backlog project. The analysis work at approximately £7K for the status 2 cases plus a negotiated reduced cost £1.5k for analysis of the status 1 cases will allow ITM to price for the processing cases more accurately and give an accurate indication of timescales.
- 4.7 The analysis work should give us a full view of our main data issues from an independent source from Orbis. Even if we only use ITM for the status 2 work having additional understanding of the status 1 data will be useful to planning our next priorities with regards to improving our data further in 2020
- 4.8 Consent was granted with the Chair in December 2019, in order to progress the project at pace to engage with ITM for the analysis piece only.
- 4.9 Progress on the Status 1 errors had been halted as Surrey and WCC worked together to find the best solution to continue this work. Originally there were 2373 data “failures” across the 5 memberships groups; actives, deferred, pensioners, dependants and undecided. Work on this data has meant that by the end of April 2019 the number of data failures had reduced by 36%. The admin team switched focus in May and June 2019 to look at the year-end files from all employers in the Fund which also helped to improve the data scores detailed in 4.1. Additional resource that had been used by Surrey prior to the valuation to help support some of the data cleansing work has now left the service. The interim Pension specialist has agreed with Surrey to use a combination of both experienced administration team and a temporary resource to process and identify information required to update members records and process any necessary leavers. Progress has been slower than expected as the Surrey team are managing the project alongside their BAU.
- 4.7 An area that WCC had elected to take a lead on outside of Surrey is in relation to address tracing for records that have a recorded address as “Gone Away”. The Senior Pension Specialist (interim) has led on a procurement process to independently appoint a tracing agency to provide address details for 731 deferred members who have not yet claimed their pension. The address tracing will help further in improving our data scores and this exercise will form part of our overall data improvement plan. To date 277 addresses have been verified and updated on Altair and 2 members were found to be deceased.
- 4.8 The Senior Pension Specialist (Interim) has been the primary driving force pushing Surrey to complete the various data streams as part of our overall data improvement work. Her role will continue to support the Senior Payroll and Pension Officer to outline and implement a data improvement plan that includes the Status 2, Status 1 and backlog work and agreeing solutions and timescales with Surrey.

5. Valuation

- 5.1 Initial valuation results have been downloaded from the actuarial portal by members of the pension and payroll team and forwarded onto all of the fund employers. In addition, all employers were sent a copy of the funding strategy statement so that they could understand the approach the fund took to the 2019 valuation. Any queries regarding the process and the new indicated employer rates are being collated and feedback to the actuary to respond. Most employers at the date of writing this report have not raised any questions on their proposed rate. After the consultation period ends on the 17th of January the team will be finalising the rates with the employers and then reminding them and their payroll providers to implement from the 1st of April 2020. The team will then be working to ensure that the rates have been correctly applied.

6. Overseas Suspended Pensions

- 6.1 At the last committee meeting we advised that 22 overseas pensioners were having their pension suspended in October 2019. Since that time five of the members have been in touch and their pension has been reinstated that leaves 17 pensions still suspended in January 2020. The monthly value of the 17 pensions combined is £5816 a month an annual value of £69795. Of the 17 suspensions 6 had completed life certificate exercises in the last few months of 2018 and so the fund had contact with them in the last few years.
- 6.2 The proposed next step is to send the 17 records still suspended to our tracing partner Target. Target will charge £75 a case but will only charge us for overseas cases if they are successful, the target tracing will include a mortality check. We will also review each of these records in detail to see if additional steps can be taken to identify any current address or contact for the member.

7. 101 Administration Agreement with Surrey / Heywood Software and I Connect

- 7.1 The committee were advised at the last meeting that discussions are underway with Surrey regarding a new 101 agreement. We have elected to revise our service specification to ensure it is fit in outlining what the fund needs given the changed pensions climate in terms of a stronger onus on schemes to be accountable for the state of their data and its quality. We are conscious of the data issues highlighted in this report and to the committee in the previous two years. The new service specification will include a greater emphasis on data quality and in providing detailed monthly data to the pension team to ensure that once our data is improved it remains that way any issue is highlighted as it arises.
- 7.2 The committee are advised that our software license for the Heywood Altair system runs out in November 2020. Discussions have started regarding the best option for the fund. Long term Orbis have advised that they want to set up a framework and invite their partners to join if they wish. Our fund will need to

make a decision prior to any framework set up but could join a framework at a later date.

- 7.3 Finally, I-connect which is Heywood's interface software. This allows the fund to collect contribution data monthly and update directly onto the pension administration software updating member records instantly. Monthly data collection is progress that the pension regulator is keen to see schemes adopt and using this method would be another way to ensure that the funds data quality remains high. We have been advised that Surrey and East Sussex have adopted I-connect and are currently going live. Our aim is to commence work to look at implementing I-connect in 2020 to our fund.

8. Update on Bouygues Admission Agreement

- 8.1 The committee are advised following the previous meeting where consent for Bouygues was given to become an admitted body in the fund from the 1st of June 2019. An admission agreement has been signed but the bond /guarantee is currently outstanding. Bouygues have been deducting pension contributions for the member involved and some monies have been paid over to the fund however we have advised them of an underpayment and are liaising with them over resolution agreeable to the fund. The WCC manager who is responsible for the Bouygues contract has been made aware of the situation.

9. Summary

- 9.1 The overall data improvement in the fund in the last 12 has been significant and have helped to provide an efficient fund valuation. Our efforts will continue in the next quarter to further improve the funds data quality by continuing the address tracing project, working with Orbis on status 1 data improvements and engaging with ITM on data analysis ahead of a project to clear the remaining status 2 cases. Long term projects include working on a new SLA with Orbis to ensure that the service we want is delivered going forward. We will also need to recontract our pension software and we will be looking at i-connect as well. We will be engaging with all our fund employers further following the valuation and will be looking to promote member self-service. Finally, we will be ensuring that the situation with Bouygues is resolved.