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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. Introduction

- 1.1. This report provides a summary of the performance of Surrey County Council (SCC) with the Key Performance Indicators (KPIs) for the period June 2020 to September 2020. The detailed KPIs are shown in Appendix 1.

2. COVID - Update

- 2.1 Following on from the last committee report on the administration service I can confirm that the service to members is close to the pre Covid service. The main difference being the restricted pension helpdesk still taking calls between 10am and 12pm and 2pm and 4 pm daily. E-mails are being responded to by the helpdesk directly or tasks are being fed into the normal workflow.
- 2.2 Many of the staff working on our contract via the Lewes office had initially done so by accessing the server via their own laptops. At the last committee asked for assurance that a risk assessment had been carried out by Surrey in relation to staff using their own devices to access our pension fund data. Mike Leigh the Assistant Director of Business Operations confirmed that a risk assessment had been carried out on the citrix access and signed off by Leigh Whitehouse, Executive Director of Resources at Surrey.
- 2.3 The set up requires two factor authorisations on connection, which means that access is only provided once authorised user id and password are accepted.

The access is through citrix so all processing takes place in the Surrey data centres and as such nothing is stored or processed on the local device. I can confirm that everyone now has Surrey devices.

- 2.4 I confirmed also at the last committee meeting that the admin team had initially had to complete printing via a few staff accessing the main office a few times a week and that this was a delay in posting out cases. I can now confirm that dot mail has been set up and I have had confirmation being used by all members of the administration team so that letters can be automatically sent out whilst the individual works at home. The committee requested access to numbers which is not currently available just for Westminster as printing is sent to the supplier for all the funds that Surrey provides administration for.

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 and committee members.
- 3.2 This paper covers the period of June 2020 to September 2020. I have included May data also in the appendix for comparison.
- 3.3 KPI performance in appendix 1 is summarised below:
- 3.4 The main areas of concern are the late notification of retirement forms, 1 late in July and 1 late in September, followed with 1 case being late for paying the lump sum and actioning on payroll also in September. This was also followed up with late payment where deferred benefits were claimed for 6 members with these people also missing out being added to the next available pension payroll run. The team leader has confirmed to me that the retirement cases were particularly impacted by 3 staff who complete this type of case work all taking annual leave in September. Surrey have confirmed to me that no complaints have been received in relation to the late payment of these pension lump sums or pensions during the period. Most cases were still processed within our ambitious KPI target. The fact that several staff have been allowed to take leave at the same time with the skill set needed to complete these urgent tasks does show a lack of foresight.
- 3.5 In addition to the retirements above the other late cases related to two late estimates processed by a few days.
- 3.6 A good point to note is the cases that are coming through onto the KPI data from the status 2 work that has been carried out by ITM for the deferred benefits and the frozen refunds.

4. Western Union Existence Checking

4.1 Further to the update on the Western Union (WU) exercise in the last committee report. A second existence exercise has been commenced this year. 257 people have been identified as in scope for an existence check. Due to the Covid pandemic the risks members could face and uncertainty on the access issues for people around the world will have to Western Union establishments we have offered those in scope a choice of 2 options.

Option 1) Complete a witnessed life certificate by 16.10.20

Option 2) Collect a £10 incentive payment from a WU office.

4.2 At the time of writing this report I can confirm that 106 people have returned the life certificate or have asked for an extension so that they can complete the certificate.

4.3 7 People have indicated that they want to take the £10 and have provided e-mail contacts to us additionally. 151 people will therefore go into the WU second phase of this year's project. The project timescales deliberately allow plenty of time for people to respond but for those who do not complete the process or contact the team separately we will look to suspend in March 2021.

4.4 In the last committee update I stated that 14 of the cases that were suspended in October 2019 were still suspended. One member has been in contact with the team in the last month with a new address to claim their pension. Now that the cases have been suspended for a year, we will be reviewing ongoing tracing options and then where appropriate processing these cases as a death case with a memo in January.

4.5 At the last committee meeting I was asked if we held any diversity data in relation to the members within the scope of the WU existence exercise. I confirmed that Ethnicity or other diversity data is not held on the pension software system as it is not necessary for the purposes of determining entitlement under the scheme. The committee held concerns that an existence exercise targeting overseas based pensioners could be targeting one group above another.

4.6 I have checked with Westminster's Data Protection Officer and she has confirmed that if we are going to collect data not necessary for the processing of pensions then we need to justify why we would collect it. If the primary objective of the exercise is to confirm a member's entitlement to continued benefit and that applies to everyone within the exercise, then the fact that you could potentially infer ethnicity based on a locale would not be relevant. I remind the committee that the existence exercise is just one way the fund checks mortality of members. For those based in the UK we carry out regular mortality screening and the people involved in the existence exercise live around the world in several European countries, Australia, New Zealand, Jamaica, America, Canada, India, Japan and others.

5. The Exit Cap, Compensation Changes and McCloud

- 5.1 The Ministry for Housing Communities and Local Government (MHCLG) has introduced new compensation regulations that will become effective from the 4th of November. The new legislation will introduce an exit cap for local authorities of £95K to include both compensation payments and payments into the pension fund where reductions are being waived. The Government Actuary Department (GAD) will be issuing standard factors for upload so that the costing for individuals is consistent across the scheme and not fund specific. The legislation also introduces new compensation limits including restricting pay to be used to no more than £80K for the purpose of calculating a compensation payment and limiting the number of weeks pay to 66 maxima.
- 5.2 It's important to note that the above changes only apply to authorities under MHCLG other fund employers would have the ability to exceed the 95K cap if they wished to do so. The issue does raise difficulties going forward on delivering different options to people depending on their employer. The new legislation will also prevent people who receive a payment into the pension of receiving a compensation payment above the statutory entitlement. Members will have choice going forward on taking pension or compensation. The LGPS regulations are now out for consultation to align the scheme regulations with the compensation regulations.
- 5.3 At the time of writing this report redundancy estimates are on hold pending further clarification. The software and documents will need to be updated to give members the options the legislation is introducing and WCC the employer will need to revise the current compensation policy to be compliant.
- 5.4 The committee should also note that the consultation on the proposed solution for the McCloud underpin closed on 8th of October. The COWPF submitted a response to the questions proposed and we await the results of the consultation for the timetable on legislation changes and the scope we will have going forward as a fund.
- 5.5 Please be aware that general actuarial assessments indicate that about a quarter of the funds membership could be entitled to a calculation to see if a McCloud underpin would give them a higher pension at retirement or not. For many people the McCloud solution will not actually increase their entitlement beyond the current benefit but the calculation will have to be completed to confirm that. The additional burden on funds resources should not be underestimated.
- 5.6 I am advising the committee that the pension fund will have to spend additional monies on work related to McCloud and I would recommend that we ask the actuary to carry out work related to an assessment of our data and the members that might be impacted so that we are in a position to prioritise cases and work

constructively with our administrator. The data work the fund has done in the last two years should not be lost by new data gaps being created by an ineffective response to McCloud. The actuary has suggested that initial work on our data can be commenced for £2K plus VAT.

6. Summary

- 6.1 The Pension service operated by Surrey is operating for members on a similar basis to the pre pandemic service. Most staff continue to work from home and there is a reduced helpline service. Our admin team all now have automatic printing set up but data on the number of letters sent out will need to come from Surrey via invoicing information from the third-party supplier which is not currently available. I will update the committee on this at the next meeting.
- 6.2 The KPI data is acceptable overall but the performance in September is disappointing particularly for the retirement cases. The KPI target the fund has is ambitious but ideally, staff holiday should be managed to ensure the workload is covered more consistently.
- 6.3 A new overseas existence exercise has been commenced with Western Union. This year's exercise is a flexible process with 2 options for members. The fund is not looking to suspend pensions where members engage with us. The 13 pensions that remain suspended from last years exercise we will look to close the pension record with a memo in case of later contact.
- 6.4 New compensation legislation has been introduced this will add complexity to the options members get when made redundant. The LGPS regulations are being amended to align with the compensation changes but estimates and processing these cases maybe problematic until the software is amended.
- 6.5 With the McCloud consultation closed the fund is expecting an update on the proposed solution shortly. It is clear that the impact on McCloud will be significant and that many members will require a calculation to determine if a revised underpin will give them a higher entitlement. I am asking the committee to authorise us to work with the actuary on an initial basis so that we can identify those members in scope and prioritise cases. More information on McCloud will follow in the next months.