

Pension Fund Committee

Date:	11th March 2021
Classification:	General Release
Title:	Pension Administration Update
Report of:	Sarah Hay, Pensions Officer People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	Negligible

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 October 2020 to January 2021. The detailed KPIs are shown in Appendix 1. There is an update on the Western Union existence exercise in section 3, which we have closed early. In section 4 we update the Committee on our two main data projects, the ongoing address tracing work and the now closed down status 2 actions with ITM. Finally in section 5, an update on the exit cap which has been revoked, McCloud and confirmation that the Government is now consulting on increasing the minimum retirement age to 57.

2. KPI 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 board and committee members.
- 2.2 This paper covers the period of October 2020 to January 2021.
- 2.3 KPI performance in appendix 1 is summarised below. Overall the KPI data is good but there are a few cases where timescales have been exceeded.

- 2.4 There are two main concerns with the first regarding the late payment of lump sums due. Although the majority of cases were processed within our current 5 day KPI, ten cases were processed late although only just outside of the KPI. The second relates to the late processing of pension forms where 5 cases were late and in one case there was an unacceptable 45 day delay outside of the KPI which Surrey have been asked to explain to the Strategic Pension Officer.

3. Western Union Existence Checking

- 3.1 On the 5th January 2021, we held a meeting with Western Union and we agreed that we would close down this year's existence project early. This was due to the increasing number of COVID19 cases across the world and aware that many of our members live in countries where lockdowns and restrictions have been put in place.
- 3.2 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.
- 3.3 Despite the fact that we had to terminate the project early this year, running the project has at least allowed us to continue the engagement that we started in 2019 with our pension members that live abroad. We will consider options going forward depending on what happens around the world in the next 12 months.

4. Data Work

- 4.1 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.
- 4.2 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.
- 4.3 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, we intend to liaise with a member of the Benefits and Revenues Team at Westminster City Council to discuss possibly seeing if we can locate the remaining 87 via an additional trace.

- 4.4 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 therefore Target will update with results in next scheduled meeting which is 26/02/2021. We intend to continue to trace addresses for all the deferred status populations above and will update going forward.

- 4.5 For information we originally raised a PO for this project for £24,000. To date we have spent £12,149.90. The costs per case vary depending on the type of trace the member needs and these range from £20 - £70. We will review our spend going forward as we get close to our agreed cost.

Status 2 – Undecided leavers

- 4.6 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.

- 4.7 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.
- 4.8 The final cost of the ITM status 2 work have come in at £44,486 for the cases completed. The original PO was for £60,000 so we have come in under budget.

5. The Exit Cap, Compensation Changes, McCloud and Minimum Retirement Age

- 5.1 The Committee was previously advised of the introduction of an exit cap introduced 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.
- 5.2 Further compensation restrictions may still follow and it's possible the cap will be revised in some format in the future.
- 5.3 The Government published it's 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.
- 5.4 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

- 5.5 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.

6. Summary

- 6.1 The KPI data is acceptable overall though some payments are not quite being made within our current 5 day KPI standard. There is one case with a 45 day delay in processing and Surrey have been asked to provide additional information on that case.
- 6.2 The existence exercise with Western Union was closed down early due to concerns for the safety of our members and the fact that in some countries people would have found it impossible to complete the required checks. The exercise was still meaningful whilst it ran and we have maintained the engagement with these members that we started in 2019.
- 6.3 The data project to process the large number of status 2 cases has been successfully completed with ITM processing 882 cases when the project was closed down. The address tracing project continues with different batches being sent for trace. The trace rates are different for various categories but overall we are tracing the majority of records and we have also identified some deaths in members who have not claimed their pension yet. Where the Target tracing has been exhausted, we will look at working with the benefits team to attempt additional trace work.
- 6.4 The £95K cap has now been revoked, compensation changes may still follow though. The Government has confirmed that it will instigate a McCloud remedy based on a deferred election basis for those in scope. We are waiting for specific regulations and a timeline to be confirmed before we consider further action at this stage. The administration burden posed by the remedy will be significant and getting data from some employers may prove challenging as it has in the Status 2 project just completed.