

From:	Chairman Pension Fund Committee Interim Corporate Director of Finance
To:	Pension Fund Committee – 28 September 2022
Subject:	Pensions Administration
Classification:	Unrestricted

Summary:

This report brings members up to date with a range of issues concerning the administration of the Kent Local Government Pension Scheme (LGPS).

Recommendations:

The Committee is recommended to:

- Note the report;
- Endorse the plans to review the current workloads within the team and strengthen where necessary;
- Review and agree the draft Administration Strategy for consultation with employers.

REPORT SUMMARY

1. Performance Update
2. Process Reviews
3. Projects
4. Administration Strategy

For Information**1. Performance**

- 1.1 The administration team are trialling a new format of reporting to the Local Pension Board to ensure full transparency across the whole team in order for Board members to be able to fulfil their scrutiny and support responsibilities. Highlights and trends will be shared with Members in the supporting commentary.
- 1.2 Unfortunately, due to the cancellation of the recent meeting, Board members have not had the opportunity to review the latest data for April to July, therefore have not been able to feedback on the report or raise any questions on the data.

- 1.3 As the new report is significantly more extensive than previous iterations, this will develop over time and new subjects will be introduced over time and specific areas highlighted at each meeting.
- 1.4 During the period 1 April to 31 July 2022 a total of 16,957 new cases were received into the admin team, with 11,038 cases completed during the same period. The number of cases outstanding at the end of the period increased from 9,091 to 13,035. The majority of these related to new scheme joiners and early leavers (refunds and deferred membership) which is the result of late notification of starters and leavers being received by scheme employers as part of the end of year data cleansing work.
- 1.5 The total number of cases completed within the service level agreement was 74% and performance against some targets was of a high standard. Initial Death Notifications (95%), Balance of Death Payments/Recovery of Death Overpayments (90%), Provision of Retirement Estimates (97%), Pension Sharing on Divorce Estimates (96%), New Scheme Joiners (99%), General Correspondence (99%) and Change of Details (99%). Some areas have struggled during this period whilst resource has been moved to support work on financial year-end and iConnect projects.

2. Process Reviews

- 2.1 Reviews have been undertaken relating to the way the team currently deal with certain processes. Particular focus has been given to the existing telephony and post processes, and an assessment of new solutions has been carried out.
- 2.2 More efficient and effective solutions have been identified including a new telephony system linked to Microsoft Teams that allows the redirection of callers to call handlers that are knowledgeable and experienced in the subject query, plus an automated online chat facility which will result in callers having access to pensions information 24/7, thus improving the 'once and done' rate. This, combined with a push to increase customer self-service will ensure constant, immediate access to information. Current management information on the calls handled by the team is unreliable and does not cover the whole of the team, therefore another benefit of an improved telephony system would be more accurate and reliable data.
- 2.3 Formal costings have been received and approved, and the team await advice on next steps from the provider.
- 2.4 Another area of focus has been reviewing the way the team currently deal with outgoing post. Currently, the team of Pension Assistants spend on average 12 hours per week printing, packing, and dispatching all of the correspondence produced by the administration team. The same third-party provider that dispatches the Fund's bulk correspondence (Annual Benefit Illustrations, P60's, Pension Increase letters) could carry out this task which would release capacity

within the team to focus on more pensions related work.

- 2.5 A commissioning brief is currently being drafted to request the necessary work be carried out so that daily printing can be sent to the external provider.
- 2.6 In light of the additional demands on the team, as highlighted above, and the existing backlog work, in addition to the work needed to develop the plans highlighted in the Fund's Business Plan it will be necessary to increase the resource within the team. The team will be working with the Corporate Director of Finance to develop the plan and will report back to the next meeting with an update on progress.

3 Projects

- 3.1 **End of Financial Year/Annual Benefit Illustrations (ABI's)** (deadline 31 August) – although there were difficulties in obtaining accurate data from some scheme employers which required escalation, the project stayed on track to issue ABI's on time. Data was sent to the third-party printers along with the 2022 template, and statements were dispatched on 26 August. A significant amount of data cleansing occurs in the lead up to the production of the statements, however there is always follow up cleansing to be carried out in conjunction with employers with regard to any missing data.
- 3.2 **Triennial Valuation** (deadline 29 July) – all member data for the period 1 April 2019 to 1 April 2022 was uploaded to the Actuary's secure portal before the end of July. This was following many months of data cleansing and reviewing/correcting errors where applicable. The first set of queries from the Actuary have been received and responded to.
- 3.3 **Annual Allowance** (deadline 6 October) – the number of members who appear to have exceeded the Annual Allowance for 2021/22 appears significantly higher (an increase of approximately 50%) than previous years which is a result of the work carried out in relation to clearing the backlog of Status 2 (Undecided Leaver) records, large pay increases and a jump in benefit revaluation from 0.5% (2021) to 3.1% (2022). The genuine number of Pension Saving Statements that need to be issued will be much lower, however all identified records need to be assessed first to determine whether members have genuinely exceeded or not. Additional support is needed from the admin team to ensure this project is completed by the statutory deadline, and some overtime has been approved to ensure success.
- 3.4 **Backlog** – July saw the closure of the backlog project with the third-party provider supporting on this project. There are still a sizeable number of

outstanding queries which employers did not respond to which will now have to fall to the admin team to pick up. However, the project has been successful with the target of over 17,000 cases completed.

- 3.5 **Administration System** – the contract with the current system provider is due to expire at the end of April 2023. Engagement is well underway with KCC Procurement, and a business case has been submitted with a preference to direct award to Heywood's for another contract term. This is currently with KCC legal team for advice and support. The pressures of a potential full tender exercise in a brief period of time, in conjunction with the numerous data heavy projects on the horizon has led for a desire to re-contract with the current provider if possible.
- 3.6 **Guaranteed Minimum Pension (GMP) Rectification** – with Phase 1 (membership reconciliation) and Phase 2 (financial reconciliation) being completed and reconciled data being submitted by the third party provider supporting on the project, attention now moves to uploading the reconciled data for those members under State Pension Age and without pensions in payment (there is a cost from the system provider for the tools needed to upload this data) and correcting benefits for those over State Pension Age and with pensions in payment. Engagement is well underway with Procurement regarding the latter due to the significant amount of work involved and the lack of resource to cope with this within the admin team. There is a desire to ensure this project is completed before McCloud and Pensions Dashboard commence as these are also data heavy projects therefore risking the integrity of the data if the projects overlap.

4 Administration Strategy

The draft of the new Administration Strategy can be found at **Appendix 1**. This document has been created to bring together the employer and pensions team performance expectations in one document. This was due to be reviewed by the Pension Board at their recent cancelled meeting, but they will have the opportunity to review at a later stage. Once feedback has been received from members the strategy will be shared via a consultation with scheme employers, and then a final version will be shared with the Pension Fund Committee at the next meeting. Plans will also need to be considered as to how employer performance can be measured and reported against this strategy.

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