From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 22 June 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.

<u>**REPORT SUMMARY**</u>

1. Performance Update – Proposal for new way of measuring and reporting performance, update on Status 2 project.
2. End of Year/Valuation Update.
3. Process Reviews – Heywood's Health Check, hybrid mail/secure e-mails.
4. Customer Engagement – Telephony system, iConnect.
5. Projects – System contract, GMP Rectification, McCloud, Administration Strategy.
6. Prudential performance update

For Information

1. Performance

1.1 Having reviewed the current method of reporting performance against the Chartered Institute of Public Finance and Accountancy (CIPFA) best practice requirements, it is proposed that consideration is given to an overhaul of the current process in order to provide more robust and transparent reporting of data. The Pension Board will be reviewing proposals to determine a final agreed format, but this is likely to include data on the number of cases at the start of the period, cases received, completed, completed within service level agreement, and outstanding at the end of the period. This will be across all casework and not just a selection of the work conducted. In addition, the report will include updates on other work conducted within the team such as customer engagement, technical & training and scheme events and other pertinent issues.

1.2 The team is currently being supported by ITM to clear some of the backlog of Status 2 (Undecided Leaver) cases. The current arrangement has been a success and is soon ending and the contract with ITM is due to end on 30 June 2022. To date, ITM have completed 11,002 cases. 2,375 cases have been passed back to the administration team to process. There are currently

1,100 queries with scheme employers to respond to before cases can be progressed, and employers were reminded at the Employer Forum on 7 June of the importance of replying to these queries as quickly as possible. ITM currently have 4,804 with them to be checked. The current number of Status 2 records is circa 7,400 and the Actuary have confirmed that they are happy with this number in relation to the size of the Kent Pension Fund.

2.   End of Year/Valuation Update

2.1 End of year data has been received from all employers. So far, 160 returns have been sent back to employers due to issues with the data. 174 of the data sets have been loaded to Altair. A deadline of 8 July has been set for all year end data to be posted and associated activities completed to ensure valuation data can be submitted to the Actuary by the deadline of the end of July. A full report on employer performance will be reviewed by the Pension Board following completion of the project.

2.2 Data to 31 March 2020 and 31 March 2021 has been reviewed and cleansed (where possible) following uploads to the Actuary data checker. Once all year end jobs have been completed, data for 31 March 2019 to 31 March 2022 will be run, reviewed, cleansed, and submitted to the Actuary by 31 July. Due to the level of data cleansing that is conducted during the year end process, we anticipate a relatively low number of data issues. In addition, the Common and Scheme Specific data scores for 2021 were of a high standard. The main issue for the Actuary was the number of Status 2 records which was significantly high at the last Valuation, however the work with ITM (referred to in paragraph 1.2) has reduced this to a level the Actuary is content with. Later in the year plans will be developed for continuous data cleansing in anticipation of the McCloud and Pensions Dashboard projects.

3   Process Reviews

3.1 Members will be aware that the team uses the Aquila Heywood Altair pension administrations system. Aquila Heywood's have been commissioned (using some of the complimentary training and development days) to spend 2-3 days with members of the administration team at the end of June to review how the Altair system is currently being utilised and report back on functionality in the system that is currently not being used, or not being used to its full capacity, so that processes can be made as efficient and effective as possible. Some of the functionality we anticipate they will recommend is Immediate Payments and bulk Deferred and Refund processing. We are aware that there is also functionality within iConnect and the My Pensions Portal that is not currently being utilised such as employer strain cost estimates and online member processes i.e., retirements and transfers. Consideration will need to be given to the cost, time and effort needed to implement any improvements with a roadmap being developed based on which will provide the most benefit and what the aims/priorities of the section are.

3.2 One area that has been reviewed over the last few weeks is how we send correspondence to members, employers, and other pension funds. E-mail recipients with an address ending ".gov.uk" are deemed as secure without the need to add any further level of encryption. This has been checked with the Kent Counter Fraud team who have confirmed exchanging sensitive data this way is acceptable and have recommended that documents are password protected. This concurs with guidance issued by the Local Government Association during the Covid pandemic.

Therefore, with immediate effect all correspondence sent to other pension funds will be sent by e-mail. This will ensure that cases can be processed more quickly, and the team are not spending time printing, packing and posting large volumes of paper. In addition, we have been investigating ways of using a mailing house to print, pack and dispatch all our other correspondence. Currently, the team spend on average 12 hours per week in the office carrying out this task and we are keen to free up these hours to allow greater focus on more pensions administration related work. We are investigating options available and will report back to the Committee and Board with the outcome of this piece of work.

4. Customer Engagement

4.1 Telephony Service – At present all telephone calls come into the team on one line and the team members answering the calls do not have any indication what the call is in relation to. This can frustrate customers and the team as not all staff are trained in all aspects of pensions administration, due to its technical nature. This often results in a customer not being able to obtain the answer they require at the first attempt. Representatives from the team have been reviewed a new telephony service that allows callers to select options relating to their enquiry which will direct them to the most appropriate person within the admin team. There is also web chat functionality available which will allow members to access the information they require 24 hours a day, 7 days per week. This has been reviewed in conjunction with other KCC services that receive a high level of telephone enquiries, and this will be progressed collaboratively with colleagues.

4.2 iConnect is a function of the Altair system that allows the Fund's employers to submit information to the administration team via a secure portal. The team is currently in the process of onboarding Kent County Council (payroll administered by Cantium) to iConnect. Test files have been loaded and checked, and Live files are now in the process of being loaded. It is our intention to make iConnect the mandatory method for monthly employer data submission due to the timing and accuracy benefits that this brings. A date for this is yet to be agreed dependant on resource both within the administration team and with employers. Therefore, onboarding is currently carried out via expression of interest from employers and a reminder of the benefits of using iConnect will be communicated at the next employer forum.

5. Key Projects

5.1 There are several key projects for the team that need to be initiated or progressed with the main ones being administration system contract renewal, GMP Rectification, McCloud, and the Administration Strategy.

5.2 Administration System Contract - the current contract with Aquila Heywood's for the provision of Altair expires in May 2023. Concerns have been expressed regarding the lack of time and resource to carry out a full procurement exercise, plus the risk of transferring large quantities of data at a time when Funds are cleansing data ahead of the McCloud and Pensions Dashboard projects. Discussions have commenced with KCC Procurement colleagues about a direct award and evidence has been sought from other LGPS Funds who have taken this route. A business case is currently being drafted detailing what we need to do, why and by when.

5.3 GMP Reconciliation/Rectification – the reconciliation part of this exercise has now been completed with all outstanding data queries responded to. We now have all the information needed to begin taking the appropriate action to correct any pension benefits that are being paid at the wrong level. ITM supported the Kent Pension Fund with the reconciliation aspect of this project and have provided a quote to provide support for the rectification process (cost in the region of £85k). Due to the value of the contract, it is likely that this will require a full procurement exercise to appoint a successful provider. The team will liaise with KCC procurement to progress this.

5.4 McCloud - the same process will likely be needed for the McCloud project as well. The Kent Pension Fund is yet to request any data from scheme employers, but they have been made aware that this requirement is imminent. ITM have also provided costs for supporting Kent with the McCloud project (in the region of £250k+ dependant on the level of support provided).

5.5 Administration Strategy – the 2013 LGPS Regulations state that an administering authority 'may' prepare a written statement of the authority's policies in relation to such matters as liaison and communication with employers, service levels which the administering authority and employers are expected to achieve, setting of performance targets, procedures which aim to secure compliance with statutory requirements. Whilst this is not mandatory, we believe it to be best practice to have such a policy in place. In addition, we are aware that the Scheme Advisory Board's Good Governance review recommends an Administration strategy becomes a mandatory requirement.

5.6 Whilst the Fund currently publishes the expectations for scheme employers on the Kent Pension Fund website, there is currently no formal Administration Strategy in place. As part of reviewing and developing new performance measures and targets, it makes sense to link this in with the development of an Administration Strategy. The Strategy will be developed in the coming weeks and months and brought to the Board and Committee for approval once complete.

6. Prudential performance update

6.1 Prudential provide the Additional Voluntary Contribution (AVC) service to a number of LGPS Funds (including KCC) and have suffered performance issues over recent months. Representatives from Prudential attended a Scheme Advisory Board (SAB) meeting in December 2021 to discuss the performance issues experienced by Administering Authorities since November 2020. At the meeting, Prudential agreed to produce a communication to explain the issues that have arisen, the steps that have and are being taken to resolve the situation, and the expected timescales for normal service to be resumed.

6.2 Prudential have now written to Jo Donnelly, Head of Pensions at the Local Government Association (LGA), to provide this update. The letter (**Appendix 1**) was shared with Pension Managers on 13 May 2022.

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June 2022

Appendix 1 – Letter from Prudential