

From:	Corporate Director of Finance
To:	Local Pension Board – 13 September 2022
Subject:	Pensions Administration
Classification:	Unrestricted

Summary:

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

Recommendations:

The Board is recommended to note the report.

REPORT SUMMARY

1. Performance Update
2. Staffing
3. Process Reviews
4. Projects

For Information**1. Performance**

- 1.1 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.
- 1.2 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.
- 1.3 The particularly poor performance against Death Grants is the result of a project that is being undertaken to clear old cases, in particular focussing on those that are close to or have exceeded the 2-year limit which results in tax being payable. With Payment of Retirement Benefits, although not all cases are completed within the SLA, the team always strive to ensure pensions

are set up for the next available payroll run. The same is applicable to Survivor's Pensions. Some of the Transfer cases are impacted by the new Regulations which were enforced in November 2021. The additional checks which are now required have resulted in these cases taking much longer in order to ensure members benefits are protected.

- 1.4 Not all areas of the new style performance have been populated as this is a work in progress and enhanced reporting functionality that can be purchase from the system provider will help with extracting the data required.
- 1.5 There doesn't appear to be any evidence available which would suggest the agreed tolerance levels for the majority of areas, so it would be good to discuss and agree so that the team understand what they are aiming for in order to help set priorities.
- 1.6 Further detail on performance can be found at **Appendix 1**.

2. Staffing

- 2.1 A review of the current resource against current and future demand is being carried out, and an initial assessment provided to the Head of Pensions and Treasury. This initial assessment includes proposals for additional resource and new roles which will help the team to cope with demand and upcoming major projects, and ensure the provision of a first class customer experience.
- 2.2 The assessment is in its very early stages and regular updates will be provided on progress.

3 Process Reviews

- 3.1 In addition to considering additional resources to improve the effectiveness of the team, 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 is being carried out.
- 3.2 More efficient 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 doesn't cover the whole of the team, therefore another benefit of an improved telephony system would be more accurate and reliable data.
- 3.3 Another area of focus has been reviewing the way the team currently deal with outgoing post. Currently, the team of Pension Assistants spend many 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 could carry out this task which would release capacity within the team to focus on more pensions related work.

3.4 Both projects are currently in the discovery phase and progress updates will be provided to members at future meetings.

4. Projects

- 4.1 **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.
- 4.2 **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.
- 4.3 **Annual Allowance** (deadline 6 October) – the number of members who appear to have exceeded the Annual Allowance for 2021/22 appears significantly higher than previous years which is a result of the work carried out in relation to clearing the backlog of Status 2 (Undecided Leaver) records. 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.
- 4.4 **Backlog** – as mentioned above, July saw the closure of the backlog project with the third-party provider supporting on this project. There are still a significant number of outstanding queries which employers didn't 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 17,000 cases completed. The closure report can be found at **Appendix 2**.
- 4.5 **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 short 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. Further updates will be provided to members as this project progresses.
- 4.6 **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. The preference is to let the

contract for Phase 3 to the same provider that completed Phases 1 and 2, as there is already a relationship and they know the system and the data, therefore they would be in a position to mobilise much quicker than other providers. 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.

4.7 **Administration Strategy** – the first draft of the new Administration Strategy can be found at **Appendix 3**. This has pulled together the employer and pensions team performance expectations into one document. 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. Plans will also need to be considered as to how employer performance can be measured and reported against this strategy.

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Appendix 1 – Admin Update April to July 2022

Appendix 2 – Backlog Closure Report

Appendix 3 – First Draft Administration Strategy
