

To: Kent Pension Board – 14 March 2023

From: Chairman – Kent Pension Board
Corporate Director of Finance

Subject: Pensions Administration

Classification: Unrestricted

Summary:

This report brings members up to date with a range of matters concerning the administration of the Kent Pension Fund for the period 1 November 2022 to 31 January 2023. The report covers the following areas:

1. Performance Update
2. Staffing & Training
3. Compliments & Complaints
4. Internal Dispute Resolution Procedure (IRDP) Appeals
5. Member Self Service
6. Administration System Contract
7. Guaranteed Minimum Pension (GMP) Rectification
8. Draft Administration Strategy Consultation
9. Change to CARE Revaluation Date
10. Communications Policy
11. Internal Audit
12. End of Year

Recommendations:

The Board is recommended to note the report.

FOR INFORMATION

1. Introduction

- 1.1 This report brings members up to date with a range of matters concerning the administration of the Kent Pension Fund for the period 1 November 2022 to 31 January 2023.

2. Performance Update

- 1.1 During the period 1 November 2022 to 31 January 2023 a total of 14,777 new cases were received by the Pensions team, with 11,878 cases completed during the same period.
- 1.2 Performance on the majority of death cases was of a high standard (86% and above within Service Level Agreement (SLA)), with the exception of Death

Grants. The team are continuing to work through a backlog of these cases which is reflected in the 'average number of days to complete cases' at 100 days. There are currently 78 (of the 163 outstanding) Death Grant cases still open that were started prior to 1 November 2022.

- 1.3 Payment of Retirement Benefits and Provision of Retirement Estimates were of a particular high standard during the period with 98% and 92% (respectively) of the cases completed being done so within the SLA. In addition, the number of outstanding Payment of Retirement Benefit cases reduced from 395 at the start of the period to 302 at the end of the period. In addition, the number of outstanding Provision of Retirement Estimate cases reduced from 487 to 413 during the period.
- 1.4 Performance on Early Leavers (Refund of Pension Contributions and Deferred Benefits) improved from the previous period but is still lower than expected. However, there is currently a project being carried out to automate the processing of these cases in bulk where possible which should support further performance improvements in this area.
- 1.5 The team continue to struggle to meet SLA's in some areas of Transfers and Interfund moves (due to them being a lower priority), however the team have been focussing on these areas at specific times during each month in order to clear the backlog. As this work continues it will be some time before any improvement in performance is seen but the benefits of these 'backlog days' will be reflected in the number of outstanding cases at the end of the period being lower than the start of the period, for example: Aggregation In Estimates, LGPS Transfer Out Estimates, LGPS Transfer Out Actuals, Non LGPS Transfer In Estimates, Non LGPS Transfer Out Estimates and Non LGPS Transfer In Actuals.
- 1.6 Further detail on performance can be found at **Appendix 1**. This summary will be presented at the meeting.

2. Staffing and Training

- 2.1 All recruitment under Phase 1 of the plans has now been completed and saw the creation of several new roles such as an additional Technical Consultant, two Training Officers, two Team Managers on the Communications & Support Team and a Senior Pensions Programme Manager.
- 2.2 A recent review has been carried out on the existing vacancies on the team (including those as a result of internal movement under phase 1). Proposals have been agreed to make best use of the current, agreed staffing budget and recruitment is underway for phase 2 to ensure the team are up to full complement as soon as possible so that the team can start to realise the benefits of the additional roles filled.

- 2.3 Several members of the team are booked to attend the Local Government Associations (LGA's) LGPS Residential Course. This is an invaluable tool for new staff in particular as it provides an in-depth training course on an Introduction to the LGPS as well as allowing for networking with other LGPS colleagues from other Pension Funds.
- 2.4 The majority of the administration team (including management) are also booked on a Challenging Conversations training course with an external training consultant who has recently specialised in providing similar training to NHS staff. This will support the team in dealing with difficult conversations with customers on the telephone, but also with challenging conversations with colleagues.
- 2.5 With the Training Officers now in post, work will commence on developing an overarching training matrix for the team which will help identify any gaps in knowledge and any single points of failure, each member of the team will also have their own training plan. Work has started with KCC's Learning and Development Team to ascertain if there is a single source for recording all training completed (i.e. KCC's DELTA system).

3. Compliments & Complaints

- 3.1 The corporate complaints system recorded a total of 2 complaints during the period 1 November 2022 to 31 January 2023. These are broken down as follows:

Month	No. of complaints received	Reason for complaint
November	1	Poor communication – Death Certificate not requested at point of contact, then not accepted by e-mail. NOK dissatisfied with 20 working day turnaround for processing a death case
December	1	Disagreement with decisions or policies made – member wanted refund but wasn't entitled to one
January	0	

4. Internal Dispute Resolution Procedure (IDRP) Appeals

- 4.1 No new IDRP Stage 1 applications were received during the period.

5. Member Self Service (MSS)

- 5.1 The number of members currently registered for Member Self Service are:

Active	Deferred	Pensioner
3,083 (5.65% of active membership)	1,791 (3.61% of deferred membership)	1,640 (3.41% of pensioner membership)

5.2 The number of new members registered for Member Self Service during the period 1 November 2022 to 31 January 2023 is:

Active	Deferred	Pensioner
431	165	435

5.3 There were no bulk promotions during this period, however with the Pensioner newsletter being issued in April, and Annual Benefit Statements being issued in July/August it is anticipated that there will be a further increase in new registrations.

6. Administration System Contract

6.1 Members will be aware that the existing contract with the provider of the Fund's administration software is due to expire at the end of April 2023.

6.2 KCC Procurement and Legal advice has been received and a recommendation will be taken to the Pension Fund Committee at their meeting on 29 March as to the effective way forward.

7. Guaranteed Minimum Pension (GMP) Rectification

7.1 Following the conclusion of a full procurement exercise, ITM Ltd were successful in securing the contract for the GMP Rectification project, awarded under the National LGPS Framework for Pensions Administration Operational Support Services.

7.2 ITM will be required to adjust member benefits where the value of the GMP in payment has been reconciled against data held by the National Insurance Contributions Office (NICO) and the value in payment needs to be amended and the benefits rectified.

7.3 ITM have provided a number of documents in relation to this project which can be found in Appendices 2-5 of this report.

7.4 Decisions relating to No Liability members being out of scope, application of a £2 per week easement and disregarding potentially incorrect GMP's on deceased member's pensions have already been taken by the Pensions Administration Manager and Head of Pensions and Treasury following advice from ITM.

- 7.5 Decisions on correcting and paying underpaid pensions and correcting and recovering overpaid pensions will be taken to Pension Fund Committee for consideration.

8. Draft Administration Strategy Consultation

- 8.1 At the Employer Forum on 9 December 2022 the draft Administration Strategy was presented to those employers in attendance. On 22 December 2022 this was followed up with an e-mail to all scheme employers with the Draft Administration Strategy. Employers were asked to review the new strategy and to provide any comments and feedback by 31 January 2023.
- 8.2 Responses were received from Kent County Council and Folkestone & Hythe District Council. These responses have been reviewed, and any necessary alterations made to the strategy. However, there will not be any fundamental changes made but certain points will be clarified in our response to the feedback from these two employers.
- 8.3 The intention is to implement the Administration Strategy from 1 April 2023. Planning is underway to consider how the strategy will be monitored, managed and reported on which will involve some form of an Employers Escalation Policy.

9. Change to CARE Revaluation Date

- 9.1 The Department for Levelling Up, Housing and Communities (DLUHC) recently issued a consultation to change the revaluation rate that is applied to CARE benefits in the LGPS, in order to better align the inflation-proofing in the LGPS with the Pension Input Period used for assessing pensions growth against the annual allowance.
- 9.2 The main concern with this change is that it will come into force on 31 March 2023 so it is unlikely that software suppliers will be able to update administration systems in time to take account of this change.
- 9.3 Consideration also needs to be given to how this will be communicated with members as Disclosure Regulations state that the changes must be communicated at the latest within three months of them coming into effect i.e. by 30 June 2023. Any scheme literature and the pension fund website will also need to be updated.
- 9.4 The proposed changes won't affect members who are already deferred or in receipt of a pension since before 1 April 2022 because their benefits now increase by Pension Increase Orders rather than Treasury Revaluation.
- 9.5 Members who are affected will not see any change to the benefits they receive on retirement because the point at which benefits come into payment, revaluation is awarded on 6 April but backdated to 1 April. The only area in

which a change will be seen is in the calculation of pensions growth to assess against the annual allowance.

10. Communications Policy

- 10.1 The Communications & Support Team have started reviewing the Fund's Communications Policy with a view to planning how the team will deliver a 'digital by default' approach to communications with members and employers.
- 10.2 Consideration will be given to what additional functionality can be adopted on Member Self Service and iConnect in order to encourage customers to self-serve and to ensure they have access to accurate pensions information 24/7 to help them make well informed decisions.
- 10.3 Plans will also be developed to encourage more interest in self-service and to establish what extent the Fund can deliver all communications electronically where possible. However, the team will need to carry out a mailing preference exercise first before considering making all communication electronic by default.
- 10.4 The team will also be discussing ideas for increasing member and employer engagement and education via such methods as newsletters, roadshows, videos etc.

11. Internal Audit

- 11.1 Internal Audit have published their Engagement Plan (**Appendix 6**) for a review of Pensions Administration. The aim of the audit is to provide assurance on the controls in place for key administrative processes including, but not limited to, new joiners, transfers in/out, deaths and retirements.
- 11.2 In order to provide assurance, the Internal Audit approach will include a review of controls in the following key areas:
 - Governance and oversight arrangements
 - Policies, procedures and staff training
 - System access, data security and data quality
 - Pension scheme administration
 - Compliance with scheme rules and regulations
 - Capacity and resourcing of the pension scheme administration team
- 11.3 Fieldwork started on 20 February with the draft report due by 31 March.

12. End of Year

- 12.1 On 16 February the 2022/23 end of year data capture template spreadsheet was uploaded to the employer's area of the Fund's website with all employers

being written to on 20 and 21 February informing them that the spreadsheet is available.

- 12.2 A deadline of 6 April has been given to employers for their data to be returned. Upon receipt of the data a significant amount of work is carried out to check and balance the information provided and contributions paid over to the Fund before any information is loaded to member records and Annual Benefit Illustrations and Annual Allowance statements are produced.
- 12.3 Planning has also commenced for the application of Pensions Increase (confirmed as 10.1%) to all pension benefits due an increase. Discussions include liaising with the Pensions Payroll team and the mailing house who produce the Pensions Increase letters and P60's. Although P60's will still be delivered in paper format this year, work is already underway to publish these (as well as pensioner payslips) on Member Self Service.

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March 2023

- Appendix 1 - Performance Report 01.11.2022 – 31.01.2023**
Appendix 2 - Kent LGPS Standard Pension Approach following GMP reconciliation 1.0
Appendix 3 - Kent GMP Rectification High-Level Project Plan
Appendix 4 - Kent LGPS - Specification - GMP Rectification
Appendix 5 - Kent LGPS - GMP Rectification Decisions Log
Appendix 6 - Pensions Administration final EP 17022023 v1.0