

From: Chairman – Kent Pension Board  
Corporate Director of Finance

To: Kent Pension Board – 8 June 2023

Subject: Pensions Administration

Classification: Unrestricted

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**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 February to 30 April 2023. The report covers the following areas:

1. Performance
2. Recruitment
3. Breaches of Law
4. Complaints, Compliments and Comments
5. Administration Strategy
6. Overpayment Recovery and Write Off Limits
7. Administration System Contract
8. Guaranteed Minimum Pension Rectification
9. Inbound Post/Outbound Printing Solution
10. New Telephony Solution
11. Annual Benefit Illustrations/Member Newsletters
12. Annual Revaluation Date Change
13. Spring Budget 2023
14. Benchmarking
15. Training and Development
16. Government Actuary Department (GAD) Data Request
17. End of Year
18. Pensions Dashboard
19. Member Self Service

**Recommendations:**

The Board is recommended to note the report.

**FOR INFORMATION**

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**1. Performance Update**

- 1.1 Details of the administration casework performance can be found at **Appendix 1.**
- 1.2 During the period 1 February to 30 April 2023 a total of 16,041 new cases were received by the Pensions team. This is an increase of 1,264 from the

previous period. 13,792 cases were completed during the period February to April. An increase of 1,914 compared to the previous period.

- 1.3 The main areas of increase relating to cases received can be seen across Deferred Benefits. With the main increase to cases completed being seen across New Starters and Deferred Benefits. This can be attributed to data cleansing by a large scheme employer in preparation for onboarding to iConnect, and preparation by the pensions team for year-end (ensuring records are up to date for Annual Benefit Illustrations).
- 1.4 Performance on casework in lower priority areas is expected to be impacted whilst the team is carrying a number of vacancies, onboarding and training new team members and resource being dedicated to supporting on the end of year process.
- 1.5 In addition, new Government Actuary Department (GAD) factors are expected sometime between April and July (referenced in the SCAPE discount rate update in the Spring Budget section at item 18). This means that certain casework relating to transfers and divorces has been paused until the new factors are received, at which point a project will be required to process all the delayed cases. In addition, recalculations of some casework such as retirement benefits and estimates may be required due to the factor changes. All increasing demand on the team.
- 1.6 Clearance of the Death Grant project has been continuing and an update on this can be found at **Appendix 2**.

## **2. Recruitment**

- 2.1 As a result of some recent workforce planning, phase 2 of the recruitment campaign is in progress. This includes the backfilling of existing vacancies and some newly created roles to help support the Fund's vision and Business Plan.
- 2.2 Five Pensions Assistants joined the team from 15 May, and three of the existing Pensions Assistants are currently on a secondment to Pensions Administrator roles. If successful, these will be made permanent, and their substantive roles will be backfilled.
- 2.3 Interviews for two Team Managers took place in May. One of these is a backfill for a recent transfer to a different role within the team, and one is a newly created role in recognition of the demands currently on the existing Team Managers.
- 2.4 Recruitment to a number of Deputy Team Managers (backfills and new posts) will commence in May and work shadowing will be considered in order to

encourage current members of the team to apply.

2.5 Progress has been made with the new Continuous Improvement Officer role. A job description has been drafted and job evaluation will take place in order to determine the appropriate grade for this new role.

2.6 In due course, recruitment for two Senior Pensions Administrators, two Pensions Officers and a Communications & Support Officer will take place. There may also be the need to backfill posts, where there are successful internal transfers/promotions.

### **3. Breaches of Law**

3.1 Under the new [Policy for Recording and Reporting Breaches of Law](#) (**Appendix 3**) details of identified breaches of scheme Regulations can be found in **Appendix 4**.

3.2 The register currently includes cases where the Fund holds unclaimed refunds for members who joined the scheme after 1 April 2014, left with an entitlement to a refund of contributions and have not claimed the refund within 5 years of leaving.

3.3 [Regulation 18\(5\)](#) states that an Administering Authority shall refund contributions to a person entitled when the person requests payment, **or on the expiry of a period of five years beginning with the date the person's active membership ceased** if no request made by then, or if the person attains age 75 before then, on the day before attaining age 75. These are considered as a breach as the five-year period will have expired if and when payment is made by the Fund.

3.4 Upon leaving the scheme, the Fund will write to members with details of the refund payable and a claim form. If member's do not return the completed claim form, it is difficult for the Fund to make payment within the prescribed five-year deadline. Tracing of the unclaimed refunds will be covered by the Fund's Data Improvement Plan going forward.

3.5 The first line on the Breaches register includes data on all unclaimed refunds up to 31 March 2023. The second line of the report shows the data for April 2023. Going forward, data will be provided at each meeting on a monthly basis.

#### 4. Complaints, Compliments and Comments

- 4.1 For the period 1 February to 30 April 2023 a total of 0 complaints, 33 compliments and 13 comments were received into the corporate system called iCasework. These have been summarised below:

	<b>Complaints</b>	<b>Compliments</b>	<b>Comments</b>
<b>February</b>	0	7 (good communications)	1 (disagreement with decision/policy)
<b>March</b>	0	8 (x7 good communications x1 helpful staff)	8 (x5 poor communications x3 disagreement with decision/policy)
<b>April</b>	0	18 (x17 good communication) x1 helpful staff	4 (x2 good communication x1 disagreement with decisions or policies made x1 poor communication)

#### 5. Administration Strategy

- 5.1 At its meeting on 29 March 2023 the Pension Fund Committee approved the new Kent Pension Fund Administration Strategy. The new strategy is effective from 1 April 2023 and has been published on the [Kent Pension Fund website](#).
- 5.2 Plans are now underway to develop an Escalations Policy across the Fund to support employers in understanding the steps that will be taking to enforce the policy and ultimately ensure the timely and accurate submissions of data.

#### 6. Overpayment Recovery and Write Off Limits

- 6.1 As a review has not been carried out since 2011, the pension overpayment and write off limits relating to pension benefits have recently been reviewed by the Fund. It has been agreed by the Head of Pensions and Treasury that the following will now apply:
- Under £200 – automatic write-off
  - £200 to £5,000 – refer to Pensions Administration Manager
  - £5,000 to £50,000 – refer to Head of Pensions and Treasury

- £50,000+ - refer to Director of Corporate Finance

6.2 The number of pension overpayment write offs for the period 1 February to 30 April are set out below:

	February 2023		March 2023		April 2023	
	Number	Total	Number	Total	Number	Total
<b>£200-£5,000</b>	-	-	-	-	2	£412.86
<b>£5,000-£50,000</b>	-	-	-	-	-	-
<b>£50,000+</b>	-	-	-	-	-	-

6.3 The Fund is developing a service wide Overpayment and Write Off Policy, which will include the above limits of which the first draft will be presented to the Pension Board and Pension Fund Committee at the meetings in September.

## 7. Administration System Contract

7.1 At its meeting on 29 March the Pension Fund Committee endorsed the decision to direct award for a new five-year contract with the incumbent administration system provider.

7.2 The decision was approved by the Director of Corporate Finance and contracts have been signed by legal teams from both parties. The new contract is live from 1 May 2023.

7.3 The new contract includes some new add-ons including the Integrated Service Provider (ISP) for Pensions Dashboard and a tool called Insights which will allow for more robust and easier to use running of reports on data within the system.

## 8. Guaranteed Minimum Pension (GMP) Rectification

8.1 The current position of the GMP Rectification project can be found in the Highlight Report (**Appendix 5**) and High-Level Project Plan (**Appendix 6**). All work is currently on track and a report will be provided to the Pension Fund Committee at their meeting on 22 June. This will include recommendations on decisions to be made regarding adjustments to benefits in payment and any under/over payments.

8.2 The outsourced supplier has provided test cases to the Fund which have been checked and agreed. The dry run process will be completed by the end of May.

8.3 The supplier has also provided the Fund with letter templates for communicating pension changes with rectified members.

## 9. Inbound Post/Outbound Printing Solution

9.1 The administration team have been trialling a new printing solution with the same supplier that currently prints and dispatches the Fund's Annual Benefit

Illustrations. The aim is to release capacity within the team to focus more on pensions related tasks, as well as ensuring member communications are dispatched on the same day and robust reporting is available. If testing is successful, the plan will be to go live in June.

9.2 In addition, the Fund have been holding initial conversations with the same supplier regarding their solution for dealing with inbound post. Discussions are still ongoing as to what the solution would look like and what benefits, if any, it would bring to the team.

**10. New Telephony Solution**

10.1 The administration team have been working with colleagues in ICT to develop a new options-based telephony solution which allows customers to connect with a member of the team who specialises in the area relating to their enquiry. It also means the members of the administration team are only taking calls relating to subjects on which they are experienced and knowledgeable.

10.2 It is anticipated this will significantly improve customer satisfaction levels and first point fix contact.

10.3 The team have been testing the new telephony system, and some minor adjustments have been made to the solution.

10.4 The solution also provides robust management information to allow the management team to assign an appropriate number of team members to each call queue.

10.5 Since going live in April 2023, the following statistics have been recorded:

	No. of calls received	No. of calls missed	% of calls taken
April	1,318	444	66.31

10.6 It is anticipated that the number of calls missed will reduce as more robust data allows the management team to determine the correct number of team members required on the call queues.

**11. Annual Benefit Illustrations/Member Newsletters**

11.1 The Annual Benefit Illustrations (ABI) templates for active and deferred members, together with the member newsletters, have been drafted and reviewed internally. Feedback has been provided by Simon Sim and the documents have been issued for final review.

11.2 The documents include the changes to Annual Allowance and Lifetime Allowance as a result of the Budget, together with the change in the CARE revaluation date. The ABI documents also include the first written notification to members of our intention to provide future ABIs digitally.

## **12. Annual Revaluation Date Change**

- 12.1 In the view of the Local Government Association (LGA) the change to the annual revaluation date is not a material change under regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. The change is about when the revaluation increase is applied. It does not change the method of the calculation; therefore, there is no material change to the information listed in Part 1 of Schedule 2 of the Disclosure regulations.
- 12.2 Legal advice has also been sought by LGA and it is agreed that the change is not a material change. However, it is good practice to let members and beneficiaries know about the change so this will be included in a member newsletter to be issued later this year.

## **13. Spring Budget 2023**

- 13.1 The Chancellor of the Exchequer delivered his 2023 Budget to the House of Commons on 15 March. Changes to pensions taxation were announced as detailed below:
- The Lifetime Allowance (LTA) charge will be set to zero from 6 April 2023. A future Finance Bill will remove the LTA from pensions tax legislation altogether – most likely from April 2024.
  - The maximum lump sum will be limited to 25% of the current LTA (£268,275) and frozen going forward – except where protections apply.
  - The standard Annual Allowance (AA) will increase from £40,000 to £60,000 on 6 April 2023.
  - The Money Purchase Annual Allowance (MPAA) and Tapered Annual Allowance (TAA) will increase from £4,000 to £10,000.
  - The income level for the TAA to apply will increase from £240,000 to £260,000.
  - Lump sums like the LTA excess lump sum, and certain lump sums on serious ill-health or death, will be taxed at the recipient's marginal rate of income tax (rather than a 55% surcharge above the LTA being applied).
- 13.2 Information regarding these changes will be included in the 2023 Active and Deferred Annual Benefit Illustrations. Information has also been updated on the Kent Pension Fund website.
- 13.3 Information regarding the AA changes will be included in the 2023 Pension Saving Statements.
- 13.4 Scheme employers have also been informed that although there is no longer an LTA tax charge, members are still subject to restrictions on their lump sum so they will still need to complete the Lifetime Allowance Declaration Form when applying for their retirement benefits.

- 13.5 On 30 March 2023 the Government announced their decision on the SCAPE discount rate methodology and its impact.
- 13.6 Government started with three objectives for the SCAPE rate as below:
- Fair reflection of costs
  - Reflect future risks to government income
  - Stability
- 13.7 Following a consultation and suggestions for other objectives, Government stayed with the original three objectives, but downgraded the importance of stability compared to the other two.
- 13.8 Government considered two methodologies as below:
- Long term GDP growth (current methodology)
  - Social Time Preference Rate (STPR)
- 13.9 Following a consultation and suggestions for other methodologies, Government decided to stay with GDP growth as it felt this best met the fairness and risk objectives.
- 13.10 The new SCAPE rate was effective from 30 March 2023 and was confirmed in a ministerial statement as CPI plus 1.7%, a reduction from the previous rate of CPI plus 2.4%.
- 13.11 The new SCAPE rate will be used for calculating employer contribution rates in the 2020 valuations of the unfunded schemes.
- 13.12 In the LGPS the change in the SCAPE rate will result in changes to GAD factors so a pause is needed for some calculations until new factors are available. There will also be an impact on the 2020 Cost Control process in particular the economic check element which will be linked to the SCAPE rate, a reduction in which should reduce the chance of a breach.

#### **14. Benchmarking**

- 14.1 As part of the Fund's objective to be 'best in class' and to be able to track the service transformation journey, the Fund are partnering with CEM to undertake benchmarking against other LGPS and international pension funds.
- 14.2 CEM works with over 400 funds worldwide, and provide clients with objective, actionable benchmarking insight into how to maximise value for money in investments and pension administration.
- 14.3 The Fund anticipates using the service to demonstrate value for money, improve member and employer service, optimise costs and staffing levels, make better decisions and save time by learning from peers.
- 14.4 The report provided compares the Funds pension administration costs and member service with a peer group of other schemes.



## **15. Training and Development**

- 15.1 Following the introduction of two dedicated Training Officers, there has been a focussed drive on improving training and development across the team.
- 15.2 A SharePoint site is being developed to be a central repository for all process notes and training documents, and recommendations from the recent Internal Audit report relating to reviewing all notes and the use of version control will be adopted.
- 15.3 An initial area of focus is to ensure clear 'Pathways to Success' are established for all grades within the team so that team members can easily see what they need to achieve for their career progression, with targets and training plans developed based on these 'pathways'.
- 15.4 All team members attended a 'Challenging Conversations' training course presented by an external trainer who specialises in training on difficult conversations for NHS staff. The team found this very beneficial and lots of positive feedback was received.
- 15.5 Members of the administration and investments teams attended a training course presented by the Fund's Actuary – Barnett Waddingham. The course covered McCloud, Fair Deal, Good Governance, Goodwin (Survivor Benefits), Climate Regulations, £95k cap on exit payments, Cyber Security, Pensions Dashboards and tPR's General Code of Practice.

## **16. Government Actuary Department (GAD) Data Request**

- 16.1 GAD has been appointed by the Department of Levelling Up, Housing and Communities (DLUHC) to undertake the 2022 section 13 exercise.
- 16.2 GAD requires membership data as at 31 March 2022 to report under section 13 of the Public Service Pensions Act 2013, in connection with the actuarial valuation of the funds in LGPS (E&W).
- 16.3 The deadline for the submission of this data was 5 May 2023, and the Fund's Actuary (Barnett Waddingham) submitted this on behalf of the Fund.

## **17. End of Year**

- 17.1 For the year ending 31 March 2023 the Fund is expecting 595 year-end returns from scheme employers. A deadline of 6 April 2023 was set, with many employers requesting an extension to 28 April 2023.
- 17.2 As at 30 May 2023, the Fund had received 563 of the 595 returns. Upon receipt of the data a number of formatting, accuracy and balancing validation checks are carried out to ensure the data is accurate to load to member records.
- 17.3 As at 30 May 2023, 239 of the received returns have been returned to employers due to queries on the data. Of these 43 are still with employers to correct.

17.4 Additional resource has been allocated to this project this year; this initially resulted in slightly slower progress whilst training took place. However, the team are now ahead of the position at the same time last year with 39.66% of the work completed (compared to 29.54% at the same time last year).

## **18. Pensions Dashboard**

18.1 On 2 March 2023, the Pensions Minister issued a written statement announcing delays to the delivery of Pensions Dashboards. The Pensions Dashboard requires additional time to ensure that the infrastructure that is being built is safe, secure and works for both pensions schemes and the end users of the service.

18.2 It is not clear at this stage if all the connection deadlines will be pushed back or if just the earlier ones will change and the later ones will remain the same.

18.3 The team will continue to prepare for the Dashboard with the main focus being on the development of a Data Improvement Plan (scheduled in the Business Plan to be delivered in 2023/24).

## **19. Member Self Service**

19.1 As at 30 April 2023 there were 9,956 members registered for Member Self Service (MSS). During April the number of new members registering, and the number of visitors were at the highest level since going live with MSS.

19.2 The breakdown of registered members by status is shown below:

<b>Active</b>	<b>Deferred</b>	<b>Pensioner</b>	<b>Dependant</b>	<b>Other</b>
3,790	2,217	2,345	65	1,539

19.3 During the period February to April 2023, 2,342 members registered for MSS and there were 13,103 visits to the MSS area of the Kent Pension Fund website.

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**May 2023**

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