

	<h2>Local Pension Board</h2> <h3>14 February 2018</h3>
<p>Title</p>	<p>Local Pension Board Performance Overview</p>
<p>Report of</p>	<p>Assistant Chief Executive</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>No</p>
<p>Key</p>	<p>No</p>
<p>Enclosures</p>	<p>Appendix A – The CEB performance report for the period November – December 2017 is attached at Appendix B – Audit Report Appendix C – Service Improvement Plan Appendix D – Pensions Administration Risk Register</p>
<p>Officer Contact Details</p>	<p>Natasha Edmunds Strategic HR Lead Natasha.edmunds@barnet.gov.uk</p>

Summary

This report provides an overview of the performance of Capita in administering the London Borough of Barnet Superannuation Scheme and invites the board to scrutinise particular aspects of performance. The report makes a number of recommendations including the recruitment of dedicated council resources to oversee and work with Capita on improvements to the service and secure compliance with the pensions regulations.

Officers Recommendations

1.	That the Local Pension Board note the concerns – reiterated through the recent Internal Audit report - on the performance of Capita in relation to the administration of the fund and provide any comments as necessary
2.	That the Local Pension Board note the submission of Capita's performance for the period November – December 2017 as illustrated at Appendix A
3.	The Local Pension Board are requested to note the progress made against the Service Improvement Plan
4.	It is recommended that the Local Pension Board asks to receive a detailed project plan from Capita in relation to the process that leads to the issuing of benefit statements, to satisfy itself that sufficient resources and planning are in place to ensure the mistakes of 2016 are avoided
5.	The Local Pension Board are requested to note the risks identified on the Pensions Administration Risk Register

1. WHY THIS REPORT IS NEEDED

- 1.1 Administration of the London Borough of Barnet Pension Fund is undertaken by Capita Employee Benefits (CEB). The Local Pension Board has a role in ensuring the effective and efficient governance and administration of the Pension Fund. This report is a covering report by Officers providing an overview of the performance of CEB in undertaking pensions administration for the London Borough of Barnet Superannuation Scheme on behalf of the Scheme Manager.
- 1.2 Concerns with the performance of CEB in delivering an effective and efficient administration service have been identified by the recent internal audit, by The Pensions Regulator and by Council Officers. Council Officers are therefore seeking the assistance of the Local Pension Board in securing compliance of CEB with the regulatory framework and improved performance of the service.
- 1.3 The CEB performance report for the period November – December 2017 is attached at Appendix A

2. REASONS FOR RECOMMENDATIONS

- 2.1 Board members will note that the Performance Breakdown for the period November – December 2017 (Appendix A) is reported by CEB as showing an improvement against the SLA target, reporting 96.29% compliance against an SLA target of 95%. However, when scrutinising the performance for each month in the period officers have identified a deterioration in service between November and December against key case groups as shown in the table below:

2.2 Table 1

Case Group	Nov SLA %	Dec SLA %	Direction of Travel
Change of details	100%	100%	→
Enquiries	96.10%	99.45%	↑
Request for Benefits	93.22%	88.64%	↓
Leavers	85.71%	80.43%	↓
New Starters	94.44%	89.74%	↓
Retirements	75.00%	73.91%	↓
Transfers In	-	100%	→
Transfers Out	100%	100%	→
Bereavements	100%	83.33%	↓
Other	98.72%	97.48%	↓

- 2.3 As can be seen in Table 1 above, performance has deteriorated – in some cases considerably – in six out of ten case groups during the reporting period. Whilst officers have challenged the performance of CEB, the Board are invited to further challenge CEB on the performance of the service.
- 2.4 The reason stated by CEB for the deterioration in performance outlined above is delays in receiving accurate salary and other information from employers and payroll providers. Officers were advised in November 2017 that CEB were planning an Employer Forum during February 2018 to further engage with employers and ensure they are fully cognisant of their responsibilities for provision of data. Despite ongoing challenge and work to develop a communication strategy and plan, improvements are still required. It is of particular importance that employers are reminded of the data and timeliness requirements during the current quarter as year end (i.e. 31 March) data returns are required for the preparation and issuing of annual benefits statement by 31 August 2018. The longer it takes to receive good quality data the greater the impact on timely issuing of annual benefits statements.
- 2.5 As part of the Service Improvement Plan (SIP) a detailed communication and engagement plan is being developed by CEB in conjunction with Council Officers to ensure appropriate and relevant engagement with all pension scheme stakeholders (i.e. active, deferred and retired members, employers, admitted bodies, the Pensions Regulator). The Local Pension Board itself has representation from all stakeholder groups however it is recognised that further consultation and engagement is required. The Local Pension Board is asked to highlight to CEB the importance of pro-active communication and engagement with stakeholders as a key driver for improved compliance with regulatory requirements.

- 2.6 Council Officers have, in addition, requested a monthly employer compliance report to aid in identifying any trends or themes emerging that could constitute breaches of law.
- 2.7 Board Members will be aware that enforcement action was taken by the Pensions Regulator against the Scheme due to late issuing of annual benefits statements during 2016. Board Members are therefore invited to further challenge CEB on their plans to engage with employers in a timely way in order to ensure that good quality and accurate data is received and that sufficient time is allowed for the preparation of annual benefits statements in 2018. It is recommended that the Board asks to receive a detailed project plan from CEB in relation to the process that leads to the issuing of benefit statements and other annual returns, to satisfy itself that sufficient resources and planning are in place to ensure the mistakes of 2016 are avoided.
- 2.8 Board Members will also note that there are a number of outstanding cases which are between 3 and 24 months old. CEB have commenced a review of all outstanding cases however further discussion is required between CEB and officers to agree the actions to be taken to resolve and close cases.
- 2.9 The Service Improvement Plan (SIP) currently in place is primarily focused on addressing the quality of data held for all members of the Scheme. A plan has been agreed with CEB to conduct a data cleansing exercise and this is now underway. Board members will be aware that the quality of Scheme member data is a primary driver for the effective delivery of pensions administration and a significant factor in failure demand (i.e. demand placed on the service arising from data quality failures). CEB have agreed to cover the cost of data rectification for the period from 2013 to date (i.e. from commencement of the contract with CEB), however there remains a significant amount of legacy data (i.e. prior to commencement of the contract with CEB) for which there is a cost.
- 2.10 The Board is asked to note the progress being made against the service improvement plan attached at Appendix C.
- 2.11 Council Officers have commissioned an audit of the pensions administration service. The Audit Report is attached at Appendix 2 and gives limited assurance. The findings were discussed at Audit Committee on 31 January. Although a number of the recommendations are already included in the SIP, additional risks and issues were identified. These relate to firstly, the reported compliance level for annual benefits statements for 2017 (reported by CEB as 96%), yet the audit sample testing suggested compliance was more likely to be in the region of 80%; and secondly management information reporting by CEB to the scheme manager on breaches of law.

- 2.12 Members of the Board are asked to challenge the reported annual benefits statement compliance of 96% and request further investigation by CEB of the compliance level, following the audit finding, and to report back to the next board meeting.
- 2.13 In relation to breaches of law, Officers have requested further and more detailed information from CEB on breaches that have been recorded on a breaches log; this is also a recommendation made by the recent audit into pension administration. It is critical that the Scheme Manager has sight of breaches of law data in order to assess materiality and ensure appropriate action is taken, including reporting breaches to the Regulator where necessary. It should be noted that breaches data should include not just the current reporting period but also past data (particularly in relation to queries that have been outstanding for up to 24 months) and information on breaches has not been provided to the Scheme Manager or the Local Pension Board since the inception of the contract with CEB. The Board are asked to reinforce to CEB the importance of receiving breaches data so that the Scheme Manager, The Local Pensions Board and the Pension Fund Committee can discharge its responsibilities in full.
- 2.14 The current performance levels of the pension administration service are below the expectations of the Scheme Manager and of the Pensions Regulator. Specific risks have been identified and recorded in relation to data quality and data on breaches of law. The Board are requested to note the risks and mitigating actions in the risk register at Appendix D.
- 2.15 The Scheme Manager remains under scrutiny by the Pensions Regulator and this is likely to continue until the Regulator is satisfied that the London Borough of Barnet Scheme is operating effectively, efficiently and in full compliance with the Pensions Regulations, Code of Practice and legislative framework governing public service pension schemes.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Local Pension Board have, to date, regularly received performance data for consideration. London Borough of Barnet Officers do not think that it is appropriate, in the current circumstances that the Board receives the normal submission, presented by CEB, and therefore that approach is not recommended at this time.

4. POST DECISION IMPLEMENTATION

- 4.1 If the Local Pensions Board are minded to agree the recommendations London Borough of Barnet Officers will present a report and the resolutions of this report to the Pension Fund Committee at its next meeting.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

The Local Pension Board supports delivery of Council's strategic objectives and priorities as expressed through the Corporate Plan 2015-2020 by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the Fund.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

There is a cost associated with the cleansing of pension scheme member data prior to 2013 of £38,000. It is critical to regulatory compliance that the data rectification work is carried out on all pensions scheme member data. Funding for this activity is being sought from the Pension Fund.

5.3 Social Value

- 5.4 None

5.5 Legal and Constitutional References

- 5.5.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme Regulations (Amendment) (Governance) Regulations 2015 requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice.

5.6 Risk Management

- 5.6.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer

income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

5.7 Equalities and Diversity

5.7.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

5.8 Consultation and Engagement

5.8.1 Where relevant, consultation and engagement is discussed in the paper.

6. BACKGROUND PAPERS

6.1 The Pension Regulators Code of Practice

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

6.2 Local Pension Board, Terms of Reference:
[Appendix A – Terms of Reference for Local Pension Board – Amended , item 8. PDF 121 KB](#)

6.3 Local Pension Board Meeting – 29 November 2018 meeting:

6.4 <https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MIId=9339&Ver=4>

