



## Pension Fund Committee

7 October 2020

<b>Title</b>	<b>Administration Report</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	None
<b>Officer Contact Details</b>	Mark Fox, Pensions Manager – 0208 359 3341

### Summary

This report provides the Pension Fund Committee with an update on the current performance including the issuing of Annual Benefit Statement (ABS), Remediation Plan and GMP reconciliation.

### Officers Recommendations

The Pension Fund Committee are requested to note the current performance levels and the update on Annual Benefit Statements.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The efficient delivery of benefits is reliant upon effective administrative procedures being in place. This information is reviewed at each meeting of the Local Pensions Board. This report provides a summary of the update provided to the Board on 2 September 2020.

### **Capita Performance**

- 1.2 In the last monthly report received from Capita for August 2020, Service Level Agreement (SLA) attainment was 86.5%. Compared to the last Committee update in July 2020 when SLA attainment was 94.5%, this shows a decline in Capita's performance over the last few months. The common measure of SLA attainment within the pensions industry is that 95% of casework is completed within the agreed SLAs.
- 1.3 Capita have been asked to ensure that performance levels were maintained on death and retirement cases, to enable progress on the "remediation plan" (as detailed in section 1.6 below). The performance levels for August 2020 for these two cases types were again disappointing at 74.5% and 77.5% respectively. Officers have reinforced to the administration team at Capita that these two case types must improve leading up to the transfer of administration to the West Yorkshire Pension Fund.
- 1.4 Part of the reason for this decline in performance can be attributed to staff absence and in August, a failure within Capita's IT systems which led to the pensions administration system being unavailable for two days.
- 1.5 Officers have raised this downturn in performance with Capita (including senior management) at their weekly meetings and continue to monitor performance. A report is awaited on the cause of the incident. Capita were asked to consider catch up measures and they have offered overtime opportunities to the administration team.
- 1.6 The Local Pension Board at their meeting on 2 September 2020 expressed their concerns on Capita's performance.

### **"Remediation Plan"**

- 1.7 In preparation for the transfer of administration to the West Yorkshire Pension Fund (WYPF) on 1 November 2020, Capita also continue to work on a “remediation plan” in order to complete outstanding member cases and data updates. Officers have agreed with Capita that this work should be treated as a priority over “business as usual” work except for death and retirement cases.
- 1.8 As at 11 September 2020, the number of cases outstanding in the remediation plan was c2,300 – at the start of the project this figure was c4,600. This includes c1,100 “non-actionable work cases”, which are cases that were put “on hold” whilst waiting for further information from third parties.
- 1.9 Capita have made progress on the remediation plan (around 60% of the work has been completed, whilst taking only 50% of the expected work effort), but there remains a lot of work to be done before the transition to WYPF and it is now unlikely that this will be fully completed before the transition.
- 1.10 Officers are discussing with WYPF how to deal with any unfinished work arising from the remediation plan after the 1 November 2020. This work will transfer to WYPF who will be setting up a dedicated project team to complete the outstanding work.

### **Annual Benefit Statements**

- 1.11 Annual Benefit Statements (ABS) were issued to 9,811 deferred members in early August 2020 and to 6,538 active members on 28 August 2020. The statutory deadline for issuing ABS's was 31 August. There are c1,250 active members who have not yet received an ABS mainly due to outstanding information due from employers. Some of these members may have also left the Scheme as no salary information was provided on employer's annual returns with Capita unable to process until a leavers return is provided by the employer. Officers are assisting Capita in chasing employers for the outstanding information, so where applicable, ABS's can be issued for these members and members records corrected.
- 1.12 Following the issuing of ABS's, on 8 September, Capita Pensions advised Officers that the LBB payroll provider (Capita HR) had provided incorrect pensionable pay details for 1,660 members employed by LBB. Following investigation, it was confirmed pensionable pay for 13 months was provided for the year ending March 2020. This resulted in benefits being overstated on the ABS.
- 1.13 Root cause analysis by Capita has discovered that when the report used to extract the required year end data to support ABS production was run by the Capita Payroll team, it was checked and was deemed correct. This extract was sent to Capita Pensions for adjustments/edits as per standard processes. The edits were returned to Capita Payroll and the report was re-run. When the report was run for the second time the monthly payroll file for April had been run and erroneously included in the report.

A breakdown in controls led to the second report not being checked on the basis that the first report generated had already been checked for accuracy and therefore was assumed to be correct. In order to prevent the error re-occurring, Capita Payroll will change the fixed parameters of the report to be classed as annually at tax year level and not with a variable date range

- 1.14 Capita Pensions immediately commenced remedial action, along with Capita Payroll to update the members records with correct pensionable pay details and reissue ABS's. The aim is to reissue statements before the end of September and Capita have advised that they are on track to reissue corrected statements to all impacted members before the end of September.
- 1.15 Staff affected have received an email from the Council's Chief Executive apologising for the error.

### **GMP reconciliation project**

- 1.16 Officers have also been working with Capita on a project to ensure that members' Guaranteed Minimum Pensions (GMP) held on Capita records reconcile with the figure held by HM Revenue & Customs (HMRC).
- 1.17 GMP is the amount that a member's pension must be at least equal to when they attain "GMP age" which is age 60 (for females) and 65 (for males). This was a result of the fund "contracting out" of the old State Earnings Related Pension Scheme (SERPS), where members (and employers) paid reduced national insurance contributions but the member did not qualify for a SERPS pension from the State. Once a member has passed their GMP age", the Barnet Fund is liable to pay pension increases on their GMP, so it is important that the GMP on the administrator records agree with HMRC ensure that the correct increases are given
- 1.18 GMP's affect active and deferred members, along with pensioners and spouses, where the member was in the fund before 6 April 1997.
- 1.19 HMRC have recently provided Capita with final GMP details for all members and Capita are working on the final reconciliation, with any remaining differences in the GMP figures being discussed with Officers on the best method for updating the administration system.
- 1.20 As a result of this reconciliation, there are five pensioners who have had their pensions overpaid since they attained "GMP age". Officers are contacting these members to advise that their pension will be amended to the correct amount and discuss the return of the overpayment. Seven pensioners have been underpaid and their pensions will be corrected and any arrears paid to them.

- 1.21 This project is due to be completed by the end of February 2021. Capita will complete this project and update WYPF with any changes required to member records.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 Not applicable

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not applicable.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Not applicable

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 By monitoring admitted body organisations and ensuring all third parties comply fully with admission agreements and bond requirements, good management of the Pension Fund is maintained. This is because the cost of providing benefits will be equitably split between all employers, thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2019-2024.

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

- 5.2.1 There are no immediate financial implications from the report. However, it is important that admitted bodies have their contribution set by the Actuary to ensure that employers can commence membership in the Scheme with an equitable contributions rate and that cessation values are calculated to ensure that any deficits from ceasing employers are paid for.

### **5.3 Social Value**

- 5.3.1 Membership of the Pension Fund ensures the long term financial health of the contributing employees on retirement.

### **5.4 Legal and Constitutional References**

- 5.4.1 The Council's Constitution – Article 7 – includes within it the responsibilities of the Pension Fund Committee. It is therefore considered appropriate for the Pension Fund Committee to receive this report.

## **5.5 Risk Management**

- 5.5.1 The ongoing viability of the Pension Fund is dependent on acquiring assets that match the pension liabilities. All admitted bodies are subject to actuarial assessments and are reviewed to ensure compliance with admissions agreements and maintenance of appropriate employer contribution levels to mitigate against any risk to the financial viability of the pension fund.
- 5.5.2 There is a possibility of financial losses to the Pension Fund where arrangements around admitted bodies, bond agreements and contributions are not sufficiently robust. The Council is improving internal controls to ensure the Fund is protected.

## **5.6 Equalities and Diversity**

- 5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) 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. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.
- 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.

## **5.7 Corporate Parenting**

- 5.7.1 Not applicable in the context of this report.

## **5.8 Consultation and Engagement**

- 5.8.1 Not required.

## **5.9 Insight**

- 5.9.1 Not applicable

## **6. BACKGROUND PAPERS**

- 6.1 Papers of the Local Pension Board Meeting held on 2 September 2020, agenda item 11 – Performance Report

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MId=10153&Ver=4>