



## Local Pension Board

### 17 November 2020

<b>Title</b>	<b>Performance 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>	Appendix A – Capita Performance Report for September 2020
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### Summary

This paper provides the Local Pension Board with the Capita pensions administration final performance report relating to September 2020, along with an update on the issuing of Annual Benefit Statements.

### Officers Recommendations

The Local Pension Board are requested to note Capita's final performance levels, the final update from Capita on reducing non-actionable caseload backlogs, along with the update on Annual Benefit Statements and the actions taken/being taken, to correct the issues that have arisen.

## 1. WHY THIS REPORT IS NEEDED

- 1.1 The efficient delivery of benefits is reliant upon effective administrative procedures being in place. It is important that this information is reviewed by the Board.
- 1.2 The report at Appendix A provides an overview of performance of the operational pensions administration service delivered by Capita up to September 2020. This will be the final report received from Capita, but Officers will update the Board on their performance for October up to 16 October when the “final cut” of member data was sent to West Yorkshire Pension Fund (WYPF).
- 1.3 From 1 November 2020, the administration of the Barnet Fund transferred from Capita to the WYPF.
- 1.4 The risk register is reported on separately.
- 1.5 From 16 October, Capita were only able to answer general member queries, that did not require a calculation or update to the members records. Any cases where a calculation is required were passed to WYPF to action.

### Capita Performance

- 1.6 The September monthly report shows a continued reduction in the SLA attainment compared to the previous report (down from 81% to 74.5%). Officers did agree with Capita that, as long as there was no reduction in the performance in processing retirement and death cases, the administration team should focus on the non-actionable cases remediation plan. However, the performance levels for these two case types were 73% and 83% respectively.
- 1.7 Officers continually raised this with Capita in the weekly performance meetings leading up to the transfer to WYPF.
- 1.8 The number of active complaints has increased since the last Report from four to nine. Officers have reviewed these complaints which mainly relate to administration delays. Most of these cases have now been actioned and Officers are not aware of any of these complaints being taken further to the Internal Dispute Resolution Procedure (IDRP) stage.

### Regulatory Breaches

- 1.9 **May 2020 breach** - At the last Board meeting, it was noted that there was a Regulatory breach in May 2020. This breach related to a member on a Tier 3 ill health retirement pension that was due to cease after the maximum of three years in payment, as set out in the LGPS regulations, Capita identified that, again in accordance with the LGPS regulations, an ill health review had not taken place after 18 months from date the pension started. This review should have been initiated by the employer to determine whether there were any

changes to the member's circumstances that justified continuation of the pension beyond three years.

- 1.10 The member has since had their medical review, which has resulted in their pension being uplifted to a Tier 2 ill health case. This means that the member is unlikely to be capable of gainful employment within 3 years of the Tier 3 ill health retirement pension commencing, but is likely to be capable of undertaking such employment before their Normal Pension Age. Although the duty is on the employer to arrange for the medical review, Capita should have had a process in place to prompt the Employer.
- 1.11 **September 2020 breach** - The September report also highlights another regulatory breach. This relates to an overpayment of a pension and lump sum to a member, who has been in receipt of a pension since 2014. Capita held a duplicate record for the member as a deferred pensioner with a normal retirement date in 2018, when the overpayment, totalling c£45,000 was made.
- 1.12 Capita have requested the return of the overpayment from the member and have reduced the pension to the correct level. Correspondence and the recording of the member's telephone call with Capita prior to the payment of the second duplicate pension indicate that the member made Capita aware of the existing pension and queried the second entitlement.
- 1.13 Officers have contacted the member to confirm that, at present, the return of the overpayment is not required although the reduce future pension is appropriate. Officers think this is classified as 'administrator error' and are taking it forward.

### **Remediation Plan**

- 1.14 In preparation for the transfer of administration to the WYPF, Capita continued to work on a "remediation plan" in order to complete outstanding member cases and data updates.
- 1.15 As at 19 October 2020, the number of cases outstanding in the remediation plan was c2,125 – at the start of the project this figure was c4,600. This includes c900 "non-actionable work cases", which are cases that were put "on hold" whilst waiting for further information from third parties.
- 1.16 Officers have discussed with WYPF how to deal with any unfinished work arising from the remediation plan after the 1 November. This work will transfer to WYPF who have set up a dedicated project team to complete the outstanding work.

### **Annual Benefit Statements**

- 1.17 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.

- 1.18 There are c2,600 members who have not received an ABS mainly due to outstanding information due from employers. Some of these members may have also left the Fund as no salary information was provided on employer's annual returns with Capita being unable to process until a leavers return is provided by the employer. Officers have worked with Capita to chase employers for the outstanding information and continue to chase post transfer to WYPF. Once the information is received, ABS's can be issued for these members by WYPF.
- 1.19 **ABS issue 1** - 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.
- 1.20 Root cause analysis by Capita 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. It should be noted that WYPF processes do not require Capita Payroll to provide year end data for the production of 2021 ABS's.
- 1.21 Capita Pensions immediately commenced remedial action, along with Capita Payroll to update the members records with correct pensionable pay details and reissue ABS's. Corrected statements were sent to all impacted members at the end of September.
- 1.22 Staff affected have received an email from the Council's Chief Executive apologising for the error.
- 1.23 A report on this issue, along with the non-issuing of ABS's, has been to The Pensions Regulator.
- 1.24 **ABS issue 2** - Officers have recently been made aware of an issue regarding members who are paid certain allowances by LBB, such as "Recruitment & Retention (R&R)" payments. Capita Payroll were deducting contributions from these allowances but, following training received from Capita Pensions, did not include these allowances as "pensionable pay" and "final pay" on the end of year return sent to Capita Pensions for ABS purposes.
- 1.25 "Pensionable pay" and "final pay" are used to calculate members benefits.

- 1.26 Officers have obtained legal advice and it has been confirmed that these allowances should be treated as pensionable and final pay. To date, Officers are aware that this issue affects at least 220 members, but are waiting for the final number to be confirmed.
- 1.27 Capita Payroll are calculating the revised pay figures and will provide these to WYPF who will reissue the ABSs (the second correction) to the affected members. It is intended that this will be completed by the end of November.
- 1.28 Officers have contacted the members concerned with an update on the issue.
- 1.29 In addition, Officers have asked Capita to confirm whether this issue has affected benefit calculations.

### **Pension Savings Statements**

- 1.30 Pension Savings Statements (PSS) must be issued to all members whose "pension savings" in a tax year exceed the standard annual allowance of £40,000. "Pension Savings" for funds such as the LGPS is the difference between the LGPS pension earned at the start of the tax year compared against the pension earned at the end of the tax year
- 1.31 The statutory deadline for sending PSS is 6 October each year. Capita confirmed that PSS for the 2019/20 tax year were sent to all applicable members by this date. To date, 27 members have been sent a PSS.
- 1.32 The PSS were based on salaries corrected for ABS Issue 1 above, but three required correction and re-issue for ABS issue 2 and there may be additional members who will be due a PSS because of ABS Issue 2 as their higher salaries may breach annual limits.

### **Transfer to WYPF**

- 1.33 Officers have been discussing with both Capita and WYPF on how the outstanding "business as usual (BAU)" work and remediation plan work would be transferred to WYPF.
- 1.34 Capita have arranged for new post received from 1 November addressed to their Barnet PO Box will be automatically redirected to WYPF. Post sent to this PO Box will be scanned by Capita and then sent to WYPF (via a secure portal) to action.
- 1.35 An email message has also been set up in the Capita dedicated Barnet mailbox advising of the transfer to WYPF and with details of the WYPF mailbox that emails should be redirected to. A voicemail has also been set up on the Capita Barnet helpline providing WYPF details.
- 1.36 Capita have provided WYPF with details on the BAU cases outstanding at the date of transfer. These cases will also be initially dealt with by the dedicated team at WYPF to process.

## **2. REASONS FOR RECOMMENDATIONS**

2.1 Not applicable in the context of this report.

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

3.1 Not applicable in the context of this report.

## **4. POST DECISION IMPLEMENTATION**

4.1 Not applicable in the context of this report.

## **5. IMPLICATIONS OF DECISION**

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

5.1.1 The Local Pension Board supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, 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)**

5.2.1 Not applicable in the context of this report.

### **5.3 Social Value**

5.3.1 Not applicable in the context of this report.

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

5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is the London Borough of Barnet. The Local Government (Amendment) (Governance) Pension Scheme Regulations 2015 inserts regulation 106 into the Local Government Pension Scheme Regulations 2013 which 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 to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

5.4.2 Under the terms of reference for the Local Pension Board, the role of the Board is to assist with:

- compliance with LGPS Government regulations;
- compliance with the requirements imposed by the Pensions Regulator.
- such other matters as the LGPS regulations may specify ensure the effective and efficient governance and administration

- ensure the Pension Fund’s strategy and policy documents are maintained in accordance with the LGPS Regulations.
- ensure the Pension Fund’s internal Risk Register is reviewed at least annually.
- review the Pension Fund’s performance in complying with the requirements of the LGPS Regulations

## 5.5 Risk Management

5.5.1 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.

## 5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality 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, marriage and civil partnership.

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

## 5.9 Insight

5.9.1 Not applicable in the context of this report.

## 6. BACKGROUND PAPERS

6.1 None