



Pension Fund Committee 24 February 2021

Title	Administration Report
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A - Post Implementation Report: Pensions Administration Transition Project
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Summary

This report provides the Pension Fund Committee with an update on the transition of the administration to West Yorkshire Pension Fund (WYPF), the current WYPF performance including the reissuing 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 4 February 2021.
- 1.2 West Yorkshire Pension Fund (WYPF) took over the administration of the Fund from Capita on 1 November 2020.
- 1.3 The project to transfer the administration of the pension fund from Capita to WYPF has now formally concluded. The Project Director has prepared a draft Post-Implementation Report (Appendix A).

Inevitably, in a project as complex as this, there are always valuable lessons to be learned and these are considered in the attached report.

Once finalised, the report will be shared with Internal Audit as part of the management response to the findings of their audit of the transition project, the report of which was presented to the Audit Committee on 28 January 2021 and to the Local Pension Board on 4 February 2021.

- 1.4 The actual transfer to WYPF generally went well. Following the transfer, the first pensioner payroll was run in the week commencing 9 November with no reported issues for this payroll or any subsequent pension payments.
- 1.5 All members have received a “welcome” letter from WYPF providing contact details and other relevant information, including details on how members can register for the WYPF member portal, where at present members can view the records and documents. Officers have also received positive feedback from members regarding the service provided by WYPF staff.
- 1.6 WYPF have also been actively engaged with employers ensuring that they are aware of the new monthly processes via training webinars and assisting employers with any queries that have been raised.

1.7 WYPF Performance

- 1.8 For the first couple of weeks in November, WYPF analysed the work inherited from Capita, to ensure that it was categorised correctly and to prioritise the urgent work. Once completed, WYPF started processing cases. In November, 243 cases were processed, which increased to 622 in December. However, in January the number of processes completed exceeded 2,000.
- 1.9 WYPF have found a small number of issues following the transfer of the administration. A couple of examples are:
 - 1.9.1 Missing member data – WYPF have identified 47 members who were on the test data received but not included on the “live” data. This is being investigated with the previous administrators.

- 1.9.2 Incorrect statuses – WYPF have found that there are a large number of members, who left the Fund a long time ago, whose records state that they had a refund of their contributions, but was then changed to indicate that this was not the case. As a result, is not clear whether a refund was paid. However, as these cases are historic, these cases will only be looked at, if a member contacts WYPF.
- 1.10 WYPF have found that information or data inherited has raised several issues. This has meant that WYPF have had to “re-process” work that had previously been done to ensure that members are paid the correct benefits.
- 1.11 In December 2020, the SLA attainment by WYPF was **86.5%**. Different work types have different target periods and different SLAs.
- 1.12 Officers are assisting WYPF with the issues identified, where required. Over the next 2-3 months, WYPF performance level should increase as hopefully the number of issues found reduce. Officers will continue to monitor the performance levels to get a true reflection of WYPF performance. If further issues continue to be found, Officers will work with WYPF to ensure performance is not impacted.
- 1.13 As at 4 February 2021, there were a total of c2,700 cases outstanding, which included c1,100 cases inherited from Capita which were previous classed as “non-actionable” cases, and included on the Capita remediation plan. In addition, there are another c300 cases that are classed as “pending”, where information is required from a member, employer or other third party.
- 1.14 Representatives from WYPF attended the Local Pension Board at their meeting on 4 February to provide an update on the issues they have identified to date.

“Remediation Plan”

- 1.15 Prior to the transfer of administration to WYPF, Capita were working on a “remediation plan” in order to complete outstanding member cases and data updates.
- 1.16 Officers have asked WYPF to produce a project plan for the improvement of data quality by [28 February 2021 at the latest.
- 1.17 The plan is required to prioritise the work, so there is no impact on the annual pensions increase, general member enquiries and 2021 Annual Benefit Statements.

Annual Benefit Statements

- 1.18 At the last meeting, Officers updated the Committee on an issue with 2020 Annual Benefit Statements (ABS) resulting from those members who are paid certain allowances by LBB, such as “Recruitment & Retention (R&R)” payments.

- 1.19 Members had paid pension contributions on these allowances. However, these allowances were not included in the pensionable pay figures provided by Capita Payroll to Capita Pensions Administration.
- 1.20 Officers have obtained legal advice confirming that these payments should be treated as pensionable and therefore be included in the pensionable pay used to calculate benefits.
- 1.21 There is a total of 220 members affected by this issue.
- 1.22 Capita Payroll have now provided updated salary data to WYPF, who will issue revised ABS's to the affected members by the end of February 2021.
- 1.23 Capita have confirmed that no members who have been affected by this issue and have subsequently left or retired from the Fund have had their benefits incorrectly calculated.
- 1.24 A report on all ABS issues including the non-issuing of 1,114 active and 1,484 deferred members has been sent to The Pensions Regulator (TPR). Officers informed TPR that there is no intention to reissue the missing 2020 ABS's, as the time it would take to correct and update the records transferred from Capita to WYPF to allow for the creation and despatch of 2020 ABS'S would be well into the first quarter of 2021. TPR have responded that "*whilst we do not intend to take action at this time, should you fail to send the ABSs to all relevant scheme members in 2021, we will consider whether regulatory action is appropriate*".

GMP reconciliation project

- 1.25 Work continues on the project to ensure that members' Guaranteed Minimum Pensions (GMP) previously held on Capita records reconcile with the figure held by HM Revenue & Customs (HMRC).
- 1.26 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
- 1.27 GMP's affect active and deferred members, along with pensioners and spouses, where the member was in the fund before 6 April 1997.
- 1.28 Officers, Capita and WYPF are meeting to discuss the final actions required on this project and how the process for ensuring WYPF update their records with the correct GMP for members, when advised by Capita.

- 1.29 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.
- 1.30 There were five pensioners who have had their pensions overpaid since they attained "GMP age". Their pensions will be amended to the correct amount. Officers have decided that based on each pensioners age, the value of their pensions and the fact that the overpayment was not their fault, not reclaim the overpayments for these members. The total overpayment for these five members totals c£13,300.
- 1.31 The total costs incurred to for this project are c£295,000. These costs are for actual work that is required to make sure that the GMP data is correct and are not due to any errors or omissions found with the data previously held by Capita.

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 The link to the internal audit report papers as tabled at the Local Pension Board on 4 February 2020.

<https://barnet.moderngov.co.uk/documents/s63142/Internal%20Audit.pdf>
