

Agenda Item:

# Pension Fund Committee

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**Dorset County Council**



Date of Meeting	24 June 2015
Officer	Pension Fund Administrator
<b>Subject of Report</b>	<b>Pensions Administration</b>
Executive Summary	<p>This report is the first of the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund. It contains updates on the following:</p> <ul style="list-style-type: none"> <li>• Public Sector Pension Reform</li> <li>• Procurement of Administration Software</li> <li>• Address Tracing and Mortality Screening Service</li> <li>• End of Year Process</li> <li>• Scanning</li> <li>• Workflow and Key Performance Indicators</li> <li>• Backlog</li> </ul>
Impact Assessment:  <i>Please refer to the <a href="#">protocol</a> for writing reports.</i>	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A
	Risk Assessment: <a href="#">N/A</a>
	Other Implications: N/A

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Recommendation	It is recommended that the Committee note and comment on the contents of the report.
Reason for Recommendation	To update the Committee on aspects of Pensions Administration
Appendices	Appendix 1 – Screening results summary April 2015 Appendix 2 –Key Performance Indicators
Background Papers	<ul style="list-style-type: none"><li>• The Public Service Pension Scheme (Amendment) (Governance) Regulations 2015</li><li>• The Pensions Regulator’s Code of Practice 14: Governance and Administration of public service pension schemes</li></ul>
Report Originator and Contact	Name: Anne Cheffey Tel: 01305 224025 Email: a.m.cheffey@dorsetcc.gov.uk

## **1. Background**

- 1.1 This report is the first of the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund.

## **2. Public Sector Pension Reform**

### **2.1 LGPS 2014**

- 2.2 The LGPS 2014 has been in existence for over 12 months now. Initially the computerised pension's administration system was not fully updated due to the lateness of some of the legislation and guidance from the Department for Communities and Local Government and the Secretary of State. Several system patches were required after 1 April 2014, however these have not been totally successful and manual intervention in benefits calculations are still required. This has been raised with the software provider and we have been assured that many of the errors will be put right in the next release.
- 2.3 The End of Year closedown process is now fully under way with the majority of employers having submitted their returns to the Section within the timescale set out in the Pensions Administration Strategy. A verbal update on this position will be given at the meeting if there is anything more up to date to comment on.
- 2.4 The data requirements under the LGPS 2014 Career Average scheme and the definition of pensionable pay are different from the old scheme. The calculations required by a Career Average Scheme are also very different to a Final Salary scheme.
- 2.5 Alongside providing the new data, employers are still required to give us details under the old Scheme to enable us to cater for members with protected Final Salary rights.
- 2.6 This will also be our first End of Year closedown using our new administration software, Altair. Altair has been upgraded to cater for LGPS 2014. Nonetheless we would anticipate some issues may be identified as we work through the first End of Year process.

### **2.7 Governance Regulatory Reform**

- 2.8 The Public Service Pension Scheme (Amendment) (Governance) Regulations 2015 were laid in Parliament on the 28 January 2015. The actions and implications arising from this new legislation for the governance of the Dorset Pension Fund, particularly in relation to the establishment of a Local Pension Board for the Fund, were reported at the Pension Fund Committee meeting held on 27 November 2014.

### **2.9 The Pensions Regulator's Code of Practice 14: Governance and Administration of public service pension schemes**

- 2.10 The regulatory powers of the Pensions Regulator were extended under section 17 and Schedule 4 of the Public Service Pensions Act 2013 (PSPA13) from 1 April 2015 to cover some aspects of public service pension schemes, including the LGPS.
- 2.11 The Regulator has a number of statutory objectives including to:
- protect the benefits of pension scheme members,
  - promote, and improve understanding of, the good administration of work-based pension schemes,
  - maximise compliance with the duties and safeguards of the Pensions Act 2008;

and

- minimise any adverse impact on the sustainable growth of an employer (in relation to the exercise of the Regulator's functions under Part 3 of the Pensions Act 2004 only).

2.12 The Code of Practice can be found at the following web address:

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

2.13 The Code of Practice covers:

- Knowledge and understanding required by Local Pension Board members
- Conflicts of interest and representation
- Reporting breaches of the law
- Publishing information about schemes
- Internal controls
- Scheme record-keeping
- Maintaining contributions
- Providing information to members
- Internal dispute resolution.

2.14 Only the areas of knowledge and understanding, conflicts of interest and representation and reporting breaches of the law have direct application to Local Pension Boards. The other areas apply to Administering Authorities, although there are areas that a Local Pension Board will need to be aware of in order to assist the Administering Authority. The powers of the Regulator were not extended to cover areas such as the funding and investment of Funds.

### **3. Procurement of Administration Software**

3.1 The contract for the provision of administration software is due to cease in August 2016 and we are collaborating with both the Norfolk and Suffolk Pension Funds for the procurement of a new contract. This project is being led by the Norfolk Pension Fund. This may be with the existing provider or a new provider.

3.2 The Pensions Benefits Manager and the Pensions Systems Officer in conjunction with colleagues from Norfolk and Suffolk have undertaken a number of site visits to share experience and learning with other Funds, and have had demonstrations from a number of software providers.

3.3 We anticipate the procurement exercise will formally commence in the next few months to enable us to appoint a successful provider later this year. If necessary this will leave us a year to manage any transition if required.

3.4 Through the collaboration with Norfolk and Suffolk we are aiming to benefit from the sharing of knowledge and understanding and resource; reduction of procurement overheads (e.g. sharing of legal costs); and to exert greater influence within the marketplace to secure best value for each of the Funds.

### **4. Address Tracing and Mortality Screening Service**

4.1 In order to reduce the risk of incorrect or fraudulent payments to deceased members and to help maintain accurate contact details for those who have moved address, the Dorset Pension Fund contracted Target Professional Services to check retired members' data against a number of data validation services provided by third parties.

- 4.2 The screening has been in operation for 15 months. During this time 562 pensioner deaths were identified with a 99.99% high confidence that the pensioner was receiving a pension from the Fund. A further 116 matched our member data to a lower degree which required further verification by the Pensioner Payroll.
- 4.3 During the period February 2014 to March 2015 Payroll confirmed that there were 84 unknown deaths of which 44 were picked up at the start of the screening process.
- 4.4 The cost of the monthly screening is £2400+VAT per year. In terms of cost savings it is difficult to put a figure to it without knowing how long it would have taken before we were notified by other methods. However the Pensions Payroll has reported a significant reduction in overpayments to pensioners since the introduction of the screening.
- 4.5 Appendix 1 shows the most recent screening results summary.

## **5. End of Year Process**

- 5.1 The deadline for the submission of the employer's pension returns was 15 May 2015 under the Pensions Administration Strategy. Regular reminders resulted in all but seven employers submitting their returns on time, five of which submitted them two days late.
- 5.2 The two employers with outstanding returns were issued with notice of fine letters. To date (9/6/2015) the returns have not been received. For every working day late the fine is £50.

## **6. Scanning**

- 6.1 Currently all paper documents are sent off site to Hugh Symons Information Management for scanning so that they can be viewed as digital images on individual computer screens.
- 6.2 As part of the Business Plan for 2015/2016 the Pensions Benefits Manager will be investigating whether it would be more efficient, secure and cost effective to scan documents in house.

## **7. Workflow and Key Performance Indicator's**

- 7.1 In July 2014, in collaboration with the London Pension's Fund Authority, a new electronic workflow system was introduced in the benefits area called CMS.
- 7.2 All benefits staff use CMS to record their tasks. Separate cases are set up for each particular task. Each case has inbuilt steps (processes) which have to be followed and timescales for completion.
- 7.3 CMS enables the Team Leaders to monitor the work coming into the Section by case type and also work completed by teams or individuals.
- 7.4 CMS has an excellent reporting function which provides statistics on work completed, not completed and on hold awaiting further information. Statistics are run on a monthly basis and are reviewed by the Assistant Pensions Benefits Manager.
- 7.5 Within CMS there is the ability to report on the Section's Key Performance Indicators (KPI) in line with the Pensions Administration Strategy. The report shows whether tasks are being completed within agreed timescales.

- 7.6 There have been some teething problems with the reports on the KPI's and we have been collaborating with the LPFA to adjust the timescales to more accurately reflect the Fund's timescales and processes.
- 7.7 The introduction of CMS has been welcomed by both staff and managers as they can clearly see the progress/achievements made and also the areas that need improvement.
- 7.8 Appendix 2 shows the top ten KPI's for March to May 2015.

## **8. Backlog**

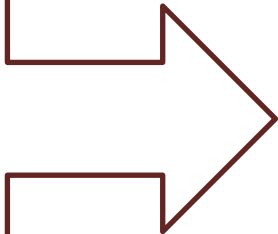
- 8.1 The Pensions Administration team does have a backlog of work for various reasons including; the lack of legislation and guidance when the 2008 LGPS was introduced, which had a knock on effect on the provision of information from the Fund Employers, high staff turnover and the inability to recruit experienced pensions administrators. More recently further backlogs have accumulated due to the introduction of the 2014 LGPS again due to lack of legislation and guidance.
- 8.2 In all there are approximately 2000 outstanding cases which need to be dealt with by experienced staff. The current staffing levels are adequate to meet the day to day work of the section but not the backlog. Reliance is being placed on current staff being willing to complete the backlog work in overtime.
- 8.3 The Pensions Benefits Manager is in the process of assessing the current situation and whether additional resources are required to clear the backlog.

**Richard Bates**  
**Pension Fund Administrator**  
June 2015

On the supplied spread sheet, the data from the column 'A' to the column entitled 'Post Code' represent the original details provided.

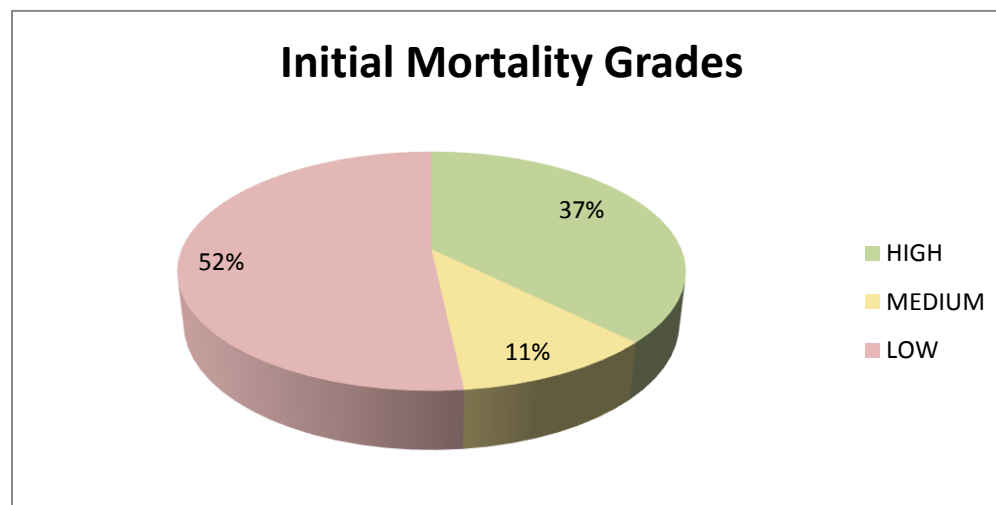
All data after this column has been provided by Target.

The column headings in the Target data have the following meanings:



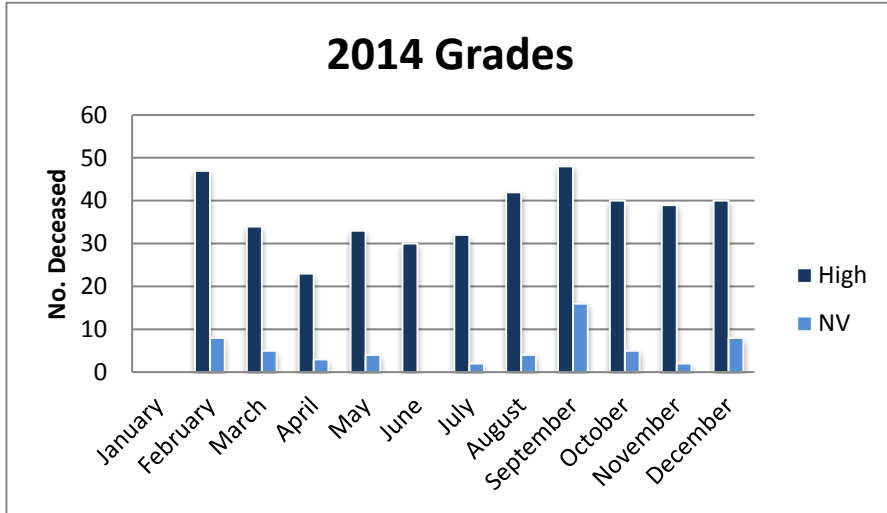
Title	Explanation
Matched forename / Surname	Names matched against Date of Birth (where date of birth is supplied).
Matched DoB	DOB matched against names & death details
Initial Mortality Grade	Grading of deaths found (see below)
GRO Reference	Records office reference number. This is important if a death certificate required.
Date of Death	Registered Date of Death
Matched address lines	Address registered at death
Final Mortality Grade	All reported deaths given medium or low grades are manually verified by the Target trace team and either upgraded or downgraded accordingly.

GRADING	Initial matches	Comments
HIGH	55	There is a 99.99% high confidence this is the member, validated against the name, date of birth and address - all match;
MEDIUM	16	There is a good chance this is the member e.g. the name and date of birth match but the address does not. The member may have moved from the provided address and since died;
LOW	76	Only some of these will be your member e.g. there are differences in the date of birth and address. Regularly these are where the data contains typo's and needs further investigation.
<b>TOTAL</b>	<b>147</b>	



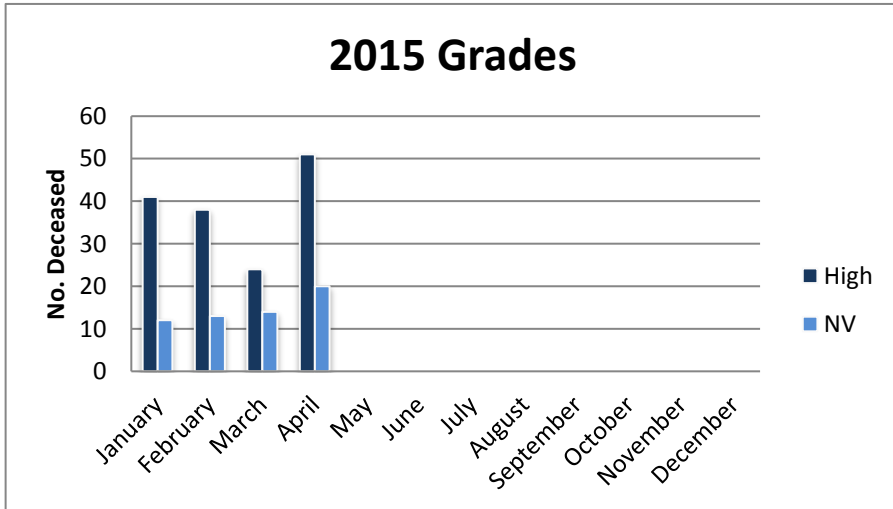
To reduce volume of false matches, Target manually investigate all initial **Low** or **Medium** grade matches. This involves evidentiary searches for member existence, links between member and location or death addresses, and dismissal of unconnected persons sharing member name and date of birth. Verified matches are graded as **High**. Matches not confirmed as your member are graded **Negative** and removed from final spread sheet report. Investigated data that suggests, but cannot confirm high match possibility will result in a **Needs Verification** grade. To further improve our service the investigated data that suggests, but cannot exclude the match as your member will result in a **Low Match** grade. This LM grade is particularly useful when key data has not been made available for screening. This is the most accurate mortality screening available.

Grades and statistics following Target manual investigation of Medium & Low Grades



FINAL RESULTS					MANUAL RESULTS									
2014	High	NV	LM	Total	M Total	M High	M NV	M LM	*M Neg	L Total	L High	L NV	L LM	*L Neg
January														
February	47	8		55	26	9	7		10	177	1	1		175
March	34	5		39	8	3	5		0	3	0	0		3
April	23	3		26	8	3	3		0	1	1	0		0
May	33	4		37	10	6	4		0	0	0	0		0
June	30	0		30	3	3	0		0	0	0	0		0
July	32	2		34	5	3	2		0	0	0	0		0
August	42	4		46	12	8	4		0	1	1	0		0
September	48	16		64	20	3	17		0	4	4	0		0
October	40	5		45	13	9	4		0	1	0	1		0
November	39	2		41	7	5	2		0	3	0	0		3
December	40	8		48	12	4	8		0	1	1	0		0
<b>TOTAL</b>	<b>408</b>	<b>57</b>	<b>0</b>	<b>465</b>	<b>124</b>	<b>56</b>	<b>56</b>	<b>0</b>	<b>10</b>	<b>191</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>181</b>

Identifies changes to results following manual investigation  
\*Negative results proven to not be your member



FINAL RESULTS					MANUAL RESULTS									
2015	High	NV	LM	Total	M Total	M High	M NV	M LM	*M Neg	L Total	L High	L NV	L LM	*L Neg
January	41	12	1	54	15	2	12	1	0	0	0	0	0	0
February	38	13	0	51	18	5	13	0	0	1	0	0	0	1
March	24	14	0	38	16	3	13	0	0	0	0	0	0	0
April	51	20	0	71	16	5	11	0	0	76	0	0	0	76
May														
June														
July														
August														
September														
October														
November														
December														
<b>TOTAL</b>	<b>154</b>	<b>59</b>	<b>1</b>	<b>214</b>	<b>65</b>	<b>15</b>	<b>49</b>	<b>1</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>77</b>

Identifies changes to results following manual investigation  
\*Negative results proven to not be your member



**Dorset Council KPI Report - CMS stats**

<b>Performance 2014/15 - report for period :</b>	01/03/2015-31/05/2015
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<b>Number of complaints received</b>	<b>1</b>
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<b>Top 10 detail - cases completed on time</b>	<b>Completed in period</b>	<b>Performance</b>	<b>KPI (days)</b>	<b>Cases completed on time or early</b>
Admissions (DR01 & DR01W)	1153	35.39%	30	408
Transfers In Quote (DR02E, DR02R, DR03E & DR03R )	125	75.20%	15	94
Transfers In Actual (DR02A & DR03A)	18	0.00%	20	0
Transfers Out (DR09E & DR10E)	79	56.96%	10	45
Transfers Out actual (DR09A & DR10A)	33	36.36%	10	12
Estimates Employee (DR08)	168	67.26%	15	113
Estimates Employer (DR22R & DR22W)	268	61.94%	15	166
Retirements (DR14, DR14W & DR12 & DR12I & DR14I)	533	69.23%	5	369
Deferred Benefits (DR11 & DR11W)	464	35.56%	40	165
Refunds (DR16 & DR16W)	243	61.32%	15	149
Deaths (DR20, DR13 & DR13W)	134	71.64%	5	96
Correspondence (DR24)	503	66.60%	30	335
<b>Total</b>	<b>3721</b>	<b>52.46%</b>		<b>1952</b>

<b>Top 10 detail - Average elapsed time for cases completed within 6 months of receipt</b>	<b>2014-15</b>		
	<b>Total cases</b>	<b>Average elapsed time</b>	<b>Target</b>
Admissions (DR01 & DR01W)	1038	24	10
Transfers In Quote (DR02E, DR02R, DR03E & DR03R )	125	68	64
Transfers In Actual (DR02A & DR03A)	18	85	64
Transfers Out (DR09E & DR10E)	79	41	23
Transfers Out actual (DR09A & DR10A)	33	48	23
Estimates Employee (DR08)	168	24	10
Estimates Employer (DR22R & DR22W)	268	16	9
Retirements (DR14, DR14W & DR12 & DR14I & DR12I)	533	51	53
<b>Retirements only (DR14 &amp; DR14W &amp; DR14I)</b>	<b>306</b>	<b>40</b>	<b>53</b>
<b>Deferred into payment only (DR12 &amp; DR12I)</b>	<b>227</b>	<b>68</b>	<b>53</b>
Deferred Benefits (DR11 & DR11W)	464	54	23
Refunds (DR16 & DR16W)	243	54	28
Deaths (DR20)	127	16	44
Correspondence (DR24 & DR24A)	835	7	2