

PENSION FUND COMMITTEE – 07 DECEMBER 2018

ADMINISTRATION REPORT

Report by the Director of Finance

Introduction

1. This report is to update members on scheme administration data and issues.

Draft Improvement Plan and the Pensions Regulator

2. Since the last meeting of the Committee, we have remained in regular correspondence with the Pensions Regulator regarding the issues around our Annual Benefit Statements, Data Quality and the Backlog of work on leavers. This included the meeting at the Regulator's offices in Brighton which was also attended by representatives of the Regulator's legal team, and Christian Smith from the Council's legal team.
3. Much of the correspondence and the meeting in Brighton were aimed at providing further information and clarification of our position to the Regulator. These communications focussed on the three issues above, with the Regulator also looking for assurance that we had learned the lessons from the past and had put in arrangements to ensure that there was no re-occurrence of the problems reported.
4. In respect of the issuance of Annual Benefit Statements, we have now issued all but 16 of the statements due for this year. The outstanding statements all relate to scheme members employed by Edwards and Ward who provide catering and cleaning services to schools. We issued a breach of regulations report to the Regulator in respect of Edwards and Ward as part of our correspondence at the end of September. We continue to work with Edwards and Ward to resolve the outstanding issues, but the process is complicated in that the data provided by Edwards and Ward is inconsistent with that provided by Carillion, the former employer of the staff involved. We are looking to ensure the issues are resolved and the Statements issued by the end of 2018.
5. As part of our correspondence on 2 November 2018, we also provide breach reports in respect of South Oxfordshire District Council, Vale of White Horse District Council and Optalis, where we had been unable at that time to issue the final Statements.
6. In respect of the two District Councils, the issues stemmed from the failure of Capita who provide payroll services to the two Councils to provide

accurate information in the requested format in respect of the final 31 members of staff (the majority of statements for staff at the two Councils had been issued in accordance with the statutory deadlines). Since the date of reporting the breach, Capita have provided responses to the outstanding queries and the final statements have been issued.

7. In respect of Optalis, the issue was in respect of the historic information relating to the staff they took on under a TUPE transfer. Optalis had not requested the prior year's data at the point of transfer, and it was no longer available from the previous employer at the point the queries were raised. The missing information was therefore calculated from the information we had been provided and from information held on the scheme member records, and the statements for the 8 staff impacted were issued at the end of November.
8. In respect of Data Quality, we discussed our concerns about the lack of agreement on a standard set of data quality tests when we met the Pension Regulator in Brighton. We re-affirmed our view that the current scores did not present a true picture of the quality of our data in respect of our ability to fulfil our statutory responsibilities.
9. The Regulator asked us to re-submit our data quality scores based on our own view of what the data quality tests should measure, and we therefore agreed changes to the existing report with Aquila Heywood. The resulting scores showed an increase in our Common Data score from 94.3% to 96.9% and in our Scheme Specific data score from 80.4% to 94.8%.
10. We have subsequently provided the Regulator with further clarification as to why we excluded certain tests, and are awaiting their feedback. In short, the test was removed where a fail did not impact our ability to carry out our statutory duties. For example, records had failed the test in respect of contributions data. However, whilst contributions data is a key element of reconciling the returns submitted from scheme employers before they are loaded to the system, they play no further part in the calculation of pension benefits etc. We therefore deleted the test from the latest reports.
11. In respect of the backlog of leavers work, ITM concluded their work at the end of November. They missed their final deadline as included in the project plan sent to the Regulator by 1 week. We are currently awaiting feedback from the Regulator on this issue.
12. The final area where the Regulator had sought information was in respect of our draft Improvement Plan to ensure that the issues experienced did not continue, or re-occur in the future. We submitted the draft Improvement Plan (attached as Annex A) at the end of September and are currently awaiting feedback on the Plan from the Regulator. If this is received in advance of the Committee meeting, we will provide an update at the meeting itself.

13. It is our expectation that we will report progress against the Improvement Plan to each future meeting of this Committee. Members are invited to comment on the draft Improvement Plan and what information they would like to see at future Committee meetings.

Workload and Staffing

14. The statistics below show performance during the period 01 July 2018 to 30 September 2018. These results are unsurprising, given this covers the period over the summer holidays but also where the whole team was concentrating on key priorities of annual benefit statement production; data quality and outstanding leavers.
15. The Benefit Team has already had discussions about how they will now restructure to re-allocate the work to bring back in to specification; deal with staff training / maintaining skills; recruit to vacant posts and make changes to work processes to improve flow through the team. This last point will be driven by implementation of i-connect.
16. In preparation for these changes a new senior administrator post has been created and is currently being advertised within the team. This post will specifically support on-going training for current team members and undertake training for new members of staff once recruited.
17. For the remainder of the team, discussions are still on-going as to how we can staff up for the key period of April to August taking necessary skills in to account.

Subject	Working Days	% Within Target	% Achieved April to June 2018	Number of Cases
Annual Allowance	10	90	100.00	1/1
APC	10	90	12.50	1/8
Data Changes	10	90	58.48	169/289
Deaths	10	95	60.13	92/153
Deferred Benefits	40	90	38.38	545/1420
Divorces	10	95	41.67	10/24
Estimates – Employer	10	90	44.83	13/29
Estimates – Member	10	90	43.18	57/132
General Queries – Employer	10	90	91.80	56/61
General Queries - Member	10	90	68.37	402/588
Other				

Re-employments	40	90	52.26	495/953
Refund of Benefits	10	95	74.92	717/957
Retirements	10	95	49.13	142/289
Transfers In	10	90	31.63	31/98
Transfers Out	10	95	35.59	21/59

Project Work

18. Current project work in the team is:

Project	Status	Notes
Administration to Pay	Amber	The enhanced version is still not available due to software issues; however, the previous, more basic, version is still available and team leaders have decided that implementing this will still be of benefit to team processes.
Annual Benefit Statements	Green	As above – just 16 statements outstanding.
Backlog of Work	Green	As above – complete
Data Quality		This no long to be treated as a project but as a BAU item for reporting.
Employer Relationship Module - Altair	Amber	This Altair module is in and being used. However, the functionality is limited hence amber rating. This is long term ongoing development so remove from project list.
GDPR	Amber	Some tidying up to do
GMP Reconciliation	Amber	Now planning phase 3 to be delivered in 2019.
I-Connect	Red	Please see separate report.
Member Self Service	Green	This is now available to all active, deferred and pensioner members. Work will be scheduled to increase functionality for members. Move to BAU

Changes to Scheme Employers

19. A full list of the changes to scheme employers will be reported next quarter.
20. Members will be aware that the biggest challenge here is getting scheme employers, particularly schools, to recognise their responsibilities to ensure continuity of pension entitlements for the staff they are transferring to contractors. This often means that either Pension Services do not hear about an outsourcing until it has been finalised, or until the service is outsourced to a second contractor.
21. This constant game of catch up creates a range of issues across the whole of the administrative team including the issuing of annual benefit statements.

22. To address this the team are currently reviewing the admission process to simplify and streamline, after which there will be a communication exercise to all scheme employers.
23. Another major challenge over the last quarter has resulted from the decision made by Bracknell and Wokingham College to seek a merger with Activate Learning. Under the proposal, all staff from Bracknell and Wokingham College would be transferred to Activate Learning. For the non-teaching staff, this would mean that the transferring staff would switch from the Berkshire LGPS Fund to the Oxfordshire Fund.
24. As part of the proposal, Bracknell and Wokingham College wanted to avoid a cessation event on their departure from the Berkshire Fund, which would have required an immediate payment of their deficit to the Berkshire Fund. We were therefore approached about a joint application to the Secretary of State for a Direction Order which would transfer the full assets and liabilities of Bracknell and Wokingham College to the Oxfordshire Fund, with the newly merged college continuing to make regular payments to repay the deficit.
25. The approval of such a Direction Order would have resulted in the transfer of risk from the Berkshire Fund to the Oxfordshire Fund, with the remaining employers in the Oxfordshire Fund (and therefore ultimately Oxfordshire tax-payers) responsible for meeting any outstanding pension deficit in the event that the newly merged college went into insolvency and was unable to meet its debts. We therefore sought advice from PwC on the level of risk involved, and on the options to mitigate such risk. These conversations also included the Fund Actuary who were already working with the Fund on our approach to mitigate risks for those scheme employers where there is no government/tax back covenant to protect future pension payments.
26. At the time of writing this report, a proposal has been made to the colleges setting out the security and associated arrangements the Pension Fund would wish to see in place before it could support an application to the Secretary of State for a Direction Order. This includes taking a legal charge on unencumbered property assets equal to the cessation valuation which would be payable in the absence of the Direction Order. An update will be provided to the meeting.

Complaints

27. Twenty complaints have been received in the year to date. Half of these have been made using the internal procedure to complain about delays in replying to queries. As previously reported some changes have been made to better balance conflicts between responding to customers; other workloads and staffing. The remaining complaints have been made using the formal complaint procedure about a decision affecting their pension, with four cases currently in progress

28. The above number equates to 0.11% of active scheme members - which compares with a figure of 0.14% in 2017.

Write Offs

29. The Scheme of Delegation, attached at Annex B, shows three amendments for approval by this Committee. These are all under the scheme of financial delegation, with the aim of improving operational efficiency within the Pension Services Team:

- The first is to allow the Pension Services Manager to approve payments of transfer values and retirement grants to a maximum of £500,000,
- The second is to allow the Systems Manager and Communications Manager to approve payments to a maximum of £200,000 in absence of Pension Services Manager
- The third is to allow all other Team Leaders to approve payments up to £25,000

30. In line with the Scheme of Delegation Policy, the approval for writing off outstanding debts is given by:

Pension Fund Committee	For amounts above £10,000
Service Manager – Pensions (in conjunction with Director of Finance	For amounts between £7,500 and £10,000
Service Manager – Pensions	For amounts up to £7,500
Pension Services Manager	For amounts up to £500

All debts below £10,000 need to be reported to Committee following write off. This report provides the details of those debts written off in the last quarter.

31. In the current period, £18.61 has been written off in respect of two cases where the member has died.
32. In the period December 2017 to September 2018 a total of £95.73 has been written off, in respect of 17 cases where the member has died.

Fire Service Pension Schemes

33. Pension Services also provide administration services to Oxfordshire Fire & Rescue in respect of the Fire Service Pension Schemes. The table below shows the work for Q2 2018:

Subject	Working Days	% Within Target	Achieved July to September 2018	Number of Cases
Annual Allowance	10	90	n/a	
APC	10	90	100	1/1
Data Changes	10	90	20	1/5
Deaths	10	95	0	0/1
Deferred Benefits	40	90	0	0/1
Divorces	10	95	n/a	
Estimates – Employer	10	90	n/a	
Estimates – Member	10	90	0	0/2
General Queries – Employer	10	90	n/a	
General Queries - Member	10	90	96.77	30/31
Other			0	0/2
Re-employments	40	90	n/a	
Refund of Benefits	10	95	n/a	
Retirements	10	95	42.86	3/7
Transfers In	10	90	0	0/1
Transfers Out	10	95	100	2/2

RECOMMENDATIONS

34. The Committee is RECOMMENDED to:

- (a) note the report;
- (b) provide any feedback on the draft Improvement Plan and confirm the arrangements for monitoring the delivery of the Plan at future meetings; and
- (c) agree the proposed changes to the Scheme of Delegation as outlined in paragraph 29.

Lorna Baxter
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Background papers: Nil
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