

## **PENSION FUND COMMITTEE – 6 MARCH 2020**

### **ADMINISTRATION REPORT**

**Report by the Director of Finance**

#### **RECOMMENDATION**

**The Committee is RECOMMENDED to:**

- (a) note the report;**
- (b) agree the Fund meets the tax cost associated with the late payment of death grant arising from administrative error as set out in paragraph 11-12;**
- (c) determine payment of the death grant for the case set out in paragraphs 13-18;**
- (d) confirm changes to administration strategy as set out in paragraph 31.**

#### **Introduction**

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

#### **Staffing**

2. Staffing structure has been reviewed as part of the business plan and budget setting process.
  - The benefit team has 3 vacancies at present, one of which is being filled by a temporary member of staff whom we are in process of making permanent. The remaining 2 vacancies will be held whilst the impact of administration to pay, MSS and i-connect are assessed.
  - Communications – one manager has taken flexible retirement and as such has reduced her hours. It not intended to replace these hours.
  - The employer team will be formally restructuring once end of year has been completed and i-connect rolled out to all scheme employers, therefore two administrator posts have been added to structure.
  - The systems team is carrying vacancy of 0.75 FTE.
3. Two resignations have been received, one in the systems team and one in the employer team. Recruitment to replace these staff has already started. In view of end of year work one team member has been seconded from benefits to the employer team for the period April to August 2020.

### **Workloads and Performance**

4. The statistics are attached at annex 1. There are 3 subjects which failed to meet the SLA standard during the latest quarter – transfers out, death grants and refunds.
5. IFA Out - due to tasks left in administrator's name during annual leave over Christmas period these were not cleared down within deadline. This issue has been raised with senior administrators to prevent future occurrences.
6. Deaths & Refunds - In both cases not meeting target were down to waiting for the new pay elements to be set up for the deduction of tax on unauthorised payments (for deaths in excess of 2 years or refunds the over 75s or those over five years).
7. Prior to the introduction of the Tell Us Once Service for the LGPS the process for being notified of death cases was reliant on relatives informing the Fund and providing a copy of the death certificate. In many cases this did not happen so deaths were only identified when payments were returned, after which the Fund had to source the death certificate and then trace any relatives.
8. The regulations require the Fund to make payment of the death within two years of date of death, or within two years beginning with the date that the Administering Authority could have been expected to become aware of the member's death. Administrator's have started an exercise to identify all such cases – any records with a date of death up to and including 2018 – to clear down these records and identify any under or over payments. Officers are working with colleagues at County to develop process for recovery of overpayments.

### **Death Grant Cases for Decision**

9. Decisions on the payment of death grants has been delegated to Officers within the Pension Services Team, and these are normally made as part of the day to day operations of the Team. Under the Scheme of Delegation though, Officers are required to refer any contentious decisions back to the Committee for them to determine. There are two cases for consideration by the Committee at this time.
10. The first case has been identified under the review of historic records referred to above. In this case, the Fund had been properly notified of the death of a member in April 2017. The spouse provided all the correct paperwork by June 2017, but no action was taken. Investigation has not found any logical reason for this payment not being made; there is no information recorded on the record and there were no chases for payment by the spouse.
11. The payment of the death grant, including interest was finally made in January 2020. However, because this was outside of the 2-year period the payment was then subject to a 45% tax charge amounting to £12,671.65. This would normally fall to be met by the recipient of the death grant. Given that this was

an administrative error, members are asked to agree that the Fund should bear this cost.

12. In the second case, the Member died on 21 September 2019 – this was a death in service notified by the scheme employer, who noted that they did not have any next of kin details on file. The member had not completed an “expression of wish” form for pensions.
13. However, the employer subsequently provided the name and contact details for a daughter who duly completed a pension declaration form stating that she was the only person with an interest in the death grant payable from the fund. However, during several telephone calls it found that there was also a son, living in Australia.
14. Initially, the son informed Pension Services that he did not have any interest in receiving part of any death grant payment but later conversations revealed that this decision was based on incorrect information supplied by his sister and so he then made declaration as an interested party. He also included a granddaughter (daughter of deceased sister) on this declaration.

Deceased Member

Daughter - claimant	Daughter – deceased	Son - claimant
3 children	1 child – living with other daughter	1 child

15. The member’s will leaves her estate to be split between the five grandchildren when they attain the age of 25.
16. The death grant does not form part of the estate and is payable at Pension Fund discretion. This is a significant amount in excess of £100,000, and there are various options in how payment could be made:
  - 50/50 split between sister and brother
  - A percentage paid to sister and brother with the remainder being split between grandchildren
  - Payment split equally between grandchildren only
17. It should be noted that the fund has been advised that the initial claimant has paid £700 in respect of funeral costs out of her own funds

### Complaints

18. One complaint has been received in the quarter bringing the total to 6 complaints in 2019:

Year	Number of Complaints	Percentage of Active Membership
2019	06	0.03%
2018	21	0.10%

2017	28	0.14%
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19. Additionally, there are two open cases from 2018 with the Pension Ombudsman waiting for a decision.

### Projects

20. Administration to Pay – in the last report it was stated that this project would finally come to an end in Spring 2020. However, there have been further delays due to the knock-on effects from the latest software upgrade which has pushed completion date back to July 2020.
21. GMP Reconciliation – The latest update is that HMRC are now starting to release the final data cut so that funds can undertake the last reconciliation stage of GMP to determine the individual under and over payments to members. As yet, there is no timescale for this until confirmation of when data will be available from HMRC.
22. I-connect, below is an extract from the project plan:

TASK	ASSIGNED TO	PROGRESS	START	END	Notes
<b>Key Mile stones</b>					
Statement of works Signed off	Sally Fox	100%	01/09/2018	13/09/2018	
I-connect at Team Meeting	Jules Skelly	100%	10/10/2018	10/10/2018	
Employer volunteers - Request through Talking Pensions	Jules Skelly	100%	01/10/2018	31/10/2018	
In- House I connect testing	Jules/David	100%	01/11/2018	30/11/2018	
Review of Procedures/Processes	Jules/Vic	100%	15/11/2018	31/12/2018	
Review of Procedures/Processes (live data)	Jules/Vic	ongoing	01/01/2019	31/03/2019	Main review done on going
Employer testing Group	Employer team/Employer	100%	01/12/2018	31/03/2019	
Trial Employer testing (phase 1)	Employer team/Employer	95%	01/01/2019	15/04/2019	
Send information out to next Employer phase 2	Employer team/Employer	100%	25/02/2019	01/03/2019	
Go Live - with Trial Employers (phase 1)	Employer team/Employer	95%	01/04/2019	15/04/2019	90% when end of year completed
Go Live - phase 2	Employer team/Employer	100%	01/05/2019	31/05/2019	Parish and Town council
Emboarding of Additional employers (phase 3)	Employer team/Employer	100%	01/04/2019	31/07/2019	in contact with all employers
Go Live - phase 3	Employer team/Employer	74%	01/08/2019	31/08/2019	due to types of employers now will cross over with phase 4
Send information out to next Employer Phase.	Employer team/Employer	100%	01/08/2019	31/08/2019	
Emboarding of Additional employers (phase 4)	Employer team/Employer	22%	01/08/2019	31/12/2019	date extended to June 2020 - due to larger employers testing
Clean up phase	Employer team/Employer		01/06/2020	31/08/2020	

23. The current situation is that 112 Employers are live and there are 71 employers still to transition. Employers that are making progress slower than expected are detailed at the end of the report. The remaining employers are split between going Live in April, actively testing or updating us regularly to their file progress:

- From phase 1 Oxford Brookes University are currently testing and due to go live in April 2020.
- All phase 2 employers are now active on i-connect.
- Phase 3 was due to be completed by 31 July 2019 but there are 20 employers who have been moved to phase 4 because of multiple contracts and / or other issues affecting their data (Capita; Capita Vale and Edwards & Ward). 5 employers currently testing and will go live in April 2020.

- Phase 4 target date extended to 31 May 2020. 14 employers already on i-connect with another 50 to be implemented. Included in this phase are:
  - Oxford City Council – met with their payroll supplier - Midlands are currently finishing file hope to have Oxford City and Oxford direct services in testing a March file.
  - Cherwell – have sent us a test file – testing to start shortly
  - Access group – we have 5 schools LIVE, others will follow once larger schools have been tested.
  - Larger employer like Oxfordshire County Council sending test data this month.
  - Activate learning live from April – testing been done with ALET

24. Employers where progress is slower than planned are:

- Abingdon and Witney College – Working on file (March update)
- 3 schools with Payroll provider FS4S – have had problems with file currently testing with another authority.
- South Oxfordshire District Council and Vale of White Horse – spoke to Capita in January regarding file have gone away to produce a test file. – update to be sent end of February
- GLF – working on file – they requested an August go live date – confirmed testing will need to be done June and July – awaiting response.

25. Member Self Service – sign up for this service currently stands at 39.89% of active members; 26.96% of deferred members and 36.99% of pensioner members. The number of members actively choosing to opt out of member self service are: active 1.28%; deferred 2.74% and pensioners 36.32%. From February 2020 members will be able to run online calculations (estimates) of their benefits which, it is hoped, will increase the take up of this service.

### **Employers**

26. For end of year 2019 all outstanding queries, with the exception of Edwards & Ward are now completed. Edwards & Ward are being treated as a specific project which will be finalised by end of March 2020.
27. Employers have already received information and offers of training ahead of end of year 2020 which has resulted in 2 employers contacting the team for further information.
28. Work on academy mergers; academy conversations and outsourcings remains at a reasonably consistent high level.

### **Data Quality**

29. Work is continuing to resolve outstanding data queries. The address tracing exercise has been delayed due to issues with data sharing. However, these are now resolved, and this part of the exercise can now start.

### **Administration Strategy**

30. The proposed changes to the administration strategy, detailed below, were sent out to scheme employers for comment.:
- To add a charge of £150 for the submission of incorrect data returns. This is to address the issue where some scheme employers submitted random information to meet deadlines and avoid charges for late submission.
  - To amend the charge for re-do of work due to incorrect information being supplied by scheme employer from £75 per return to £50 per member record.
  - To reduce the time period between chases, set out in the escalation process from 10 days to 5 days.
31. Only one scheme employer commented:
- the fees you are proposing appear quite high, especially given that our pension administration is undertaken by a third party and not by the Academy Trust and therefore outside of our control
  - the revised fee of £50 per member record seems particularly high, in comparison with a £75 fee per return, due to incorrect information being supplied and I would request that you re-consider this
32. A response has been sent to this employer. This sets out that the charges are consistent with our costs involved, particularly that the cost of re-doing work submitted with errors will vary by the number of incorrect member records rather than a fixed charge for any return irrespective of how many member records contain errors. It was also made clear that it was the scheme employers' responsibility to manage any payroll contract and ensure this include appropriate clauses to cover the respective responsibilities under the Pension Regulations.
33. In light of the limited feedback and response to the one consultation reply received, it is recommended that the Committee confirm the changes as initially proposed.

### **Write Off**

34. In the last quarter a total of £48.77 has been written off in 8 cases where member has died.

## **Fire Pension Administration Report**

**Workloads and Staffing**

35. The statistics are attached at annex 2. All work is in specification with the exception of outstanding leaver checking.
36. Fire Service death cases are not reported as part of Tell Us Once, as per paragraph 10. However, there is a good network of reporting and all cases are up to date except one where payment cannot be made.
37. One of the resignations detailed in paragraph 6 above will impact on the administration of the Fire Service Pension Scheme. The team leader is assessing this as part of the recruitment process.
38. Fire Pension Board was held on 24 January, but final minutes have not yet been circulated.

**LORNA BAXTER**  
Director of Finance

Background papers: None

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