

SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

4 October 2018

REVIEW OF 2018 ANNUAL BENEFIT STATEMENTS (ABS)

1) Purpose of the Report

To update members on the progress of the exercise to issue Annual Benefit Statements to active and deferred members.

2) Recommendations

Members are recommended to note the progress made with the 2018 exercise and to note the plans in place for 2019.

3) Background Information

- 3.1 Under the provisions of the Public Service Pensions Act 2013 each LGPS fund is required to issue an estimated Annual Benefit Statement (ABS) to every active and deferred scheme member by 31 August of each year.
- 3.2 Members may be aware that compliance with this deadline was not possible for any of the last three years since the overriding legislation was enacted. This was due to a combination of various factors – including late year-end submissions from some employers, system issues and general workload pressures.
- 3.3 SYPA took the unusual step of reporting to the Pensions Regulator in May 2017, well in advance of the 31 August 2017 deadline, that it did not expect to meet the target date for 2017. One of the main reasons cited was the workload pressures caused by preparation for the move to monthly data collection, intended to provide a more sustainable long term solution to the ABS production process (see Section 6 below for more information). Subsequent correspondence followed between SYPA and the Pensions Regulator and no further remedial action was taken by the Regulator in 2017.
- 3.4 In the event, active member statements were issued to 84% of the membership of the Fund by 31 August 2017 and the remaining 16% of the statements were issued on a phased basis over the period between

1 October 2017 and 31 March 2018, as and when outstanding queries with employers were resolved.

4. 2018 Approach – Active Members

- 4.1 As indicated above, the data required to produce ABS's for active members is currently derived from the year-end returns provided by each employer in the Fund (refer to Section 6 below for details of how this will change going forward). This means that the production of ABS's is wholly dependent on both timely receipt of year-end returns from employers as well as appropriate levels of response to the inevitable queries generated by the processing of the year-end returns.
- 4.2 In 2018, SYPA strengthened the level of engagement with employers in respect of the submission of the year-end returns and this was reinforced by the earlier changes made to the Administration Strategy which empowered SYPA to make a penalty charge for late submission of year-end returns if required.
- 4.3 Although we did not receive 100% compliance by the published deadline of 11 May 2018 for receipt of year-end returns, we did receive a year-end return from 100% of all employers by 31 August. This was an improvement on previous years where not all year-end returns were submitted by the time the ABS deadline had passed.
- 4.4 The net result of the increased responsiveness was that statements were issued to 44,176 members and all employers were represented amongst this number. This equates to at least 98.6% of the members recorded as being active as at 31 March 2018.
- 4.5 The remaining 1.4% of membership is a theoretical figure representing members with data queries raised with employers following receipt of the year-end return which had not been resolved by the time the statements were produced. This is mainly where the employer (or their payroll provider) did not submit the year-end return until August and was therefore unable to resolve the subsequent queries prior to the ABS statements being issued.
- 4.6 Analysis of these cases reveals that a significant proportion are in reality members who have left employment or opted out of the scheme and will not require an active member ABS. The figure of 1.4% of members outstanding is therefore overstated and the true figure is likely to be nearer half of this. The remaining queries are continuing to be actively pursued so that a final 'sweep up' run of statements can be issued during October 2018, with the intention to bring the total to 100% of eligible members.

5. **2018 Approach – Deferred Members**

- 5.1 Unlike active members, the production of ABS's for deferred members is not reliant on the successful submission of year-end returns from employers. Given the lack of reliance on external influences, SYPA was successfully able to issue ABS's to 100% of deferred members in advance of the 31 August deadline. This equates to 51,686 members.

6. **Future Approach to Statements - 2019 and beyond**

- 6.1 SYPA recognised some time ago that the continued reliance on timely receipt of year-end returns from employers was always going to pose a challenge against the 31 August 2018 deadline for issue of ABS's. This is one of a number of reasons why the decision was taken to move to capturing member data on a monthly basis going forward rather than yearly. Monthly data collection from employers went live in April 2018.
- 6.2 The collection of data on a monthly basis means that data queries can be resolved between SYPA and employers on an ongoing basis during the year rather than following receipt of a year-end return and this should avoid any unforeseen delays in preparing data for the ABS production exercise.
- 6.3 Similarly, the production of the ABS's can commence as soon as the March 2019 monthly data has been received and a full twelve month history is available. This should allow SYPA to phase the production of ABS's over an extended period, whilst still meeting the statutory deadline. The main benefit will be an improved level of service to our members as they are likely to be in receipt of their statement earlier in the year. It also means the administration team will be able to phase the handling of any subsequent queries and this should improve query response times for members.
- 6.4 As part of the 2018 ABS exercise, active and deferred members were also advised that all statements from 2019 onwards would only be available online (unless a member specifically requests a paper copy). As well as the obvious cost efficiencies, this encourages members to access the wider range of functions (e.g. updating nominations, calculating retirement projections, etc) which are now available online to assist them with retirement planning.
- 6.5 This move to online provision has been well received by scheme members to date, with only a handful of members indicating a preference for retaining a hard copy statement. SYPA is also continuing to invest in upgrades to the existing online functionality and will update the Board on progress in this area over the forthcoming months.

7) Implications and risks

- Financial – There are modest cost savings for SYPA (print and postage estimated around £15,000) from moving to online production of ABSs.
- Legal – None.
- Diversity – There are no diversity implications.
- Risk – None.

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Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.