

**SOUTH YORKSHIRE PENSIONS AUTHORITY**

**LOCAL PENSION BOARD**

**Report of the Head of Pensions Administration**

**17 January 2019**

**ADMINISTRATION AND EMPLOYER PERFORMANCE**

1) **Purpose of the Report**

To update Members on administration issues for the period 1 July 2018 to 30 September 2018 (Quarter 2).

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2) **Recommendations**

**Members are recommended to consider the contents of the report with a view to commenting on performance and indicating any areas that they may wish to receive further information on in future reports.**

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3) **Background Information**

3.1 Following discussions with the Chair and Vice Chair of the Local Pension Board, it was agreed that a report would be provided on a quarterly basis on the performance of the administration team as well as the level of engagement and compliance from employers. This is intended to provide Board members with a greater degree of transparency to contribute to an increased focus on administration issues (whether from SYPA or from employers) and will hopefully allow the Board to comment on any areas where further information or explanation may be required.

3.2 At this stage, this report includes much of the detail provided to the Corporate Planning and Governance (CP&G) Board. The CP&G Board focuses on its audit function and, whilst this is also an important element of the Local Pension Board's work, the Local Board also has a unique representation of scheme member and employer interests and may be able to contribute to identifying any areas where SYPA should be focusing their efforts to improve administrative efficiency and customer service. As such, the theme of this quarterly administration report may evolve over time.

4) **Staff Changes**

4.1 One member of the Doncaster District Office (part-time) retired early in September and one Team Manager from the Member Services team in the Regent Street

Office retired at the end of September, the latter after an impressive 41 years' service.

4.2 The vacant Team Manager post is being covered on a temporary 'acting up' basis up to 31 March 2019 following an open selection process, pending a wider review of the pensions administration function. It is not anticipated this will materially impact performance and the cost saving from this vacancy will contribute to funding investment in a new online portal which is currently being implemented. The new portal will be designed to improve the scheme member experience as well as contributing to efficiency improvements.

4.3 The vacant District Office post will be supported by other areas of the administration function pending the outcome of the review referred to above.

5) **Administration Team Performance**

5.1 Under the standard reporting protocol the casework performance of the Administration team for Quarter 2 was as follows:

Work Category	Number completed	In Time	Performance
Priority	1259	1121	89%
Non-Priority	14553	11751	81%
Overall	15812	12872	81%

5.2 The overall performance level of 81% is an obvious reduction from last quarter (86%) but this was anticipated because of the requirement (for the final time) to process all the Year End returns in preparation for the issue of Annual Benefit Statements.

5.3 The overall performance level of casework completed, however, does not provide a detailed picture of the type of work that is being completed and how successfully. For this reason, we have reviewed the casework areas covered by our Customer Charter and set out a summary of performance against these areas.

5.4 The table below shows the casework areas broken down by subject type according to our charter. Priority areas are deaths and retirements. For comparison purposes the equivalent figures for 2017-18 are also shown.

Case Type	Target Days	Numbers Completed	Numbers In Time	Q2 Performance	Performance 2017-18
<b>PRIORITY CASES</b>					
Formal Complaint	3	4	4	100%	89%
Pensioner Death	4	309	284	92%	81%
Deferred Pensioner Death	4	24	17	71%	34%
In Service Death	4	10	5	50%	22%
Retirements	5	912	819	90%	87%

NON PRIORITY CASES					
Divorce Proceedings	5	72	52	72%	71%
Transfer Out	5	116	82	71%	44%
General Enquiry	5	739	620	84%	91%
Transfer In	7	161	73	45%	40%
New Joiners	5	1997	1203	60%	89%
Early Leavers	See Below	1116	894	80%	87%
Preserved Benefits	20	1017	806	79%	64%
Refund of Contributions	9	99	88	89 %	91%
Re-employed Pensioner	7	0	0	N/A	NA
<b>Overall</b>		<b>6576</b>	<b>4939</b>	<b>75%</b>	<b>83%</b>

5.5 Despite the introduction of new controls and work queues and the oversight of the Performance Manager this quarter's performance on Priority work (and non-priority work) was always destined to dip because of the other prioritisation of resource onto the Year End exercise.

5.6 The LGPS in general, and SYPA in particular following last year's breach and self-reporting letter, were acutely aware of the Regulator's scrutiny on Funds' performance in relation to the issuing of Annual Benefits Statements this year. Accordingly, non-priority casework performance had to be sacrificed to some extent in order to meet the Authority's statutory duty of issuing statements by 31 August. A separate report regarding the Annual Benefit Statements for 2018 was presented to the Board in October 2018.

## 6) Outstanding work

6.1 The table below of 'outstanding work' was presented as part of the Q4 report for 2017/18.

### Work Outstanding at 31 March 2018

Active Cases	Pending	Awaiting Software Updates	Total
3919	6125	5395	15439

### Key

Active Cases	Able to be processed
Pending	Case is in progress but awaiting further information – usually from scheme member or employer
Awaiting Software Update	Purposely on hold awaiting a software development to be released in September 2018 that will permit efficient processing

6.2 As promised in the last report, the software tool that was introduced over the summer to handle the complex “aggregation” cases has now enabled the provision of more accurate reporting of the true levels of these outstanding cases. The table below confirms that there are a total of 7,828 cases to be processed, which is a significant increase on the estimated volumes previously reported but does serve to provide the complete picture.

Active Cases	Pending	Awaiting action following Software Updates	Total
4380	7877	7828	20085

6.3 A dedicated project team was established from 1 October 2018 specifically to handle the processing of the “aggregation” cases. It is anticipated that this will be a six month project and progress will be reported to the Board quarterly.

## 7) Employer Performance against their SLAs

7.1 As Members are aware employers are required to meet the following target standards for the submission of casework related information:

- New Starter (56 days)
- Early Leaver (56 days)
- Retirement with immediate entitlement to benefits (28 days)
- Death in Service (14 days)

Members are also aware that the requirement to submit documentation for the first two categories (New Starters and Early Leavers) has now been removed, at least in part, as a result of the introduction of MDC processing.

7.2 The table below therefore reflects only the performance of the four District Councils and remaining employers in respect of retirement notifications. Members will note the overall general improvement in performance by employers.

Employer	Cases	Pass	Fail	Performance Q2
Barnsley MBC	8	7	1	<b>88%</b>
Doncaster MBC	42	39	3	<b>88%</b>
Rotherham MBC	28	22	6	<b>79%</b>
Sheffield CC	63	55	8	<b>87%</b>
<b>Councils Total</b>	<b>141</b>	<b>123</b>	<b>18</b>	<b>87%</b>
Other Employers	222	187	35	<b>84%</b>
<b>All Employers Total</b>	<b>363</b>	<b>310</b>	<b>53</b>	<b>85%</b>

7.3 **Monthly Data Collection (MDC).** Members are aware that MDC was introduced from 1 April 2018 to improve the overall efficiency of the administration of the LGPS at SYPA – both for employers and for the administration team. Employers are required to submit monthly returns by the 19<sup>th</sup> of the month following the pay period

7.4 The tables below show the number of returns received, summarised according to whether the monthly return is submitted by an in-house team or an outsourced payroll provider. Members may recall the previous “teething problems” with MDC for April and May 2018 where there were 43 employers who had not submitted a monthly data file. In the main, these were employers who used Capita as their outsourced payroll provider.

7.5 It is positive to note that some of the earlier submission issues with Capita in particular have now been resolved following SYPA intervention and all monthly returns have now been received satisfactorily for April, May and June.

June-18	Number of returns expected	Returns received	Outstanding	% Success Rate
Employers using external payroll providers	359	359	0	100%
Employers with single use/in house system	109	109	0	100%
Total Active Employers in SYPA Fund	468	468	0	100%

July-18	Number of returns expected	Returns received	Outstanding	% Success Rate
Employers using external payroll providers	362	361	1	99%
Employers with single use/in house system	108	107	1	99%
Total Active Employers in SYPA Fund	470	468	2	99.6%

August-18	Number of returns expected	Returns received	Outstanding	% Success Rate
Employers using external payroll providers	367	363	4	98.9%
Employers with single use/in house system	104	99	5	95.2%
Total Active Employers in SYPA Fund	471	462	9	98.1%

- 7.6 An issue has been identified with one employer that was previously performing well but has now failed to submit a return for the last two months. Contact was made with that employer, (and the others who had failed to submit a return in August), to establish what problems they are experiencing and what assistance they might need to recover the position. An automatic reminder system has also been put in place to prompt any employers who have not submitted a return by the deadline each month.
- 7.7 **Future Developments.** Now that MDC has been embedded as business as usual with employers, it is timely to review how SYPA can expand the use of the monthly collection process to improve process efficiency for employers and for SYPA. Currently, the member data by the MDC process is used to update member records but the monthly pay over of contributions by employers is handled by a separate process. This inevitably involves a requirement for reconciliation which can potentially be time consuming for employers and for SYPA.
- 7.8 SYPA are working to develop the MDC process to enable the monthly files to drive the collection of contributions **via direct debit** and achieve a more integrated outcome by removing the requirement for separate reconciliations. We are working with Audit colleagues to ensure that the appropriate controls are in place for such a process enhancement and employers will be consulted on the proposed change in due course.

## 8. Staffing issues impacting on work and performance

- 8.1 Sickness absence statistics for the reporting period are shown in the table below. The previous quarter's figures are shown for comparison purposes in the second table.

### 1<sup>st</sup> July 2018 to 30<sup>th</sup> September 2018

Period	Certified	Uncertified	Overall
July	2.7%	1.1%	3.7%
August	3.8%	0.5%	4.2%
September	2.9%	0.1%	3.0%
Total	3.1%	0.6%	3.7%

### 1<sup>st</sup> April 2018 to 30<sup>th</sup> June 2018

Period	Certified	Uncertified	Overall
April	2.8%	1.1%	4.0%
May	4.2%	0.4%	4.6%
June	3.4%	1.0%	4.3%
Total	3.5%	0.8%	4.3%

8.2 Certified sickness absence reduced slightly in comparison to the previous quarter, mainly as a result of some previous long-term absences coming to an end. Unfortunately, there are now two further cases of long-term absence for unrelated conditions. The fact that the two employees involved are both part-time does mitigate the impact on the overall statistics but there is still an impact on performance.

## 9. **GMP Reconciliation update**

9.1 The Board may recall an update was provided at the last Board meeting on the progress made with the ongoing reconciliation exercise. Members may recall that an independent provider, ITM, had been contracted to manage the remainder of Stage 2 of the reconciliation process which includes completing the reconciliation for active members as well as handling responses from HMRC in respect of queries previously raised for deferred and pensioner members.

9.2 At the time of producing this report, ITM had submitted the final batch of reconciliation queries to HMRC by the deadline of 31 October 2018. **Appendix A** shows the latest project update provided by ITM in December 2018. As indicated, the project is primarily on hold pending responses from HMRC to the reconciliation queries submitted to them for resolution. It is not anticipated that HMRC will respond for three or four months. The Board will be updated on any future progress.

## 10. **Implications**

- **Financial** - potential financial penalties for employers failing certain service standards under the Authority's Pensions Administration Strategy.
- **Legal** - None
- **Diversity** - None
- **Risk** - Poor performance from employers increases the likelihood of a poorer service to members from the Administration team which in turn increases the potential for complaints and risk to reputation

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**Background papers** used in the preparation of this report are available for inspection from the offices of South Yorkshire Pensions Authority