SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

14 March 2019

Report of the Head of Pensions Administration

REVIEW OF PENSIONS ADMINISTRATION

1)   **Purpose of the Report**

To update Members on administration issues for the period 1 October 2018 to 31 December 2018 (Quarter Three).

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.

3)   **Staff Changes**

3.1   There were a couple of senior staff departures in Quarter Three. The Technical Team Manager resigned his post and left the Authority on 16 November. The UPM (Civica) Systems Manager also resigned and left employment on 30 November. Both managers were long standing members of staff and left for personal reasons – not for promotional opportunities elsewhere.

3.2   Both posts have been replaced internally on a temporary acting up basis until at least 31 March 2019 (though likely to be extended) pending a wider review of all administration teams. An informal consultation is currently underway with both the existing members of the Technical and Systems teams (as well as the IT team) and the unions to determine the future shape and roles of these specific teams following the resignations of both managers.

3.3   The departure of such experienced and skilled managers is clearly a loss to the Authority but, to date, the impact on performance has not been material. One of the issues emerging from these resignations was that these managers were on short notice periods not commensurate with their seniority and this issue is now being addressed for existing staff at a similar level through consultation with staff and unions.

3.4   One other departure during Quarter Three was the resignation of a junior inexperienced pensions officer (part-time) following a short illness. This post is not being directly replaced but the funding will contribute towards the recruitment of two new apprentices following the successful progression of our existing apprentice.

4) **Administration Team Performance**

5.1   Under the standard reporting protocol the casework performance of the Administration team for Quarter 3 was as follows:

Work Category	Number completed	In Time	Performance
Priority	**1,302**	**1,225**	**94%**
Non-Priority	**17,815**	**14,081**	**79%**
Overall	**19,117**	**15,306**	**80%**

5.2   The overall performance level of 80% is a slight 1% drop from Quarter Two but this was inevitable because of the commencement of the aggregation project (see later section) which has drawn resources directly away from the main Member Services team responsible for case load processing.

5.3   As mentioned previously, 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.

5.5

Case Type	Target Days	Numbers Completed	Numbers In Time	Q3 Performance	Performance 2017-18
PRIORITY CASES					
Formal Complaint	3	6	3	50%	89%
Pensioner Death	4	351	332	95%	81%
Deferred Pensioner Death	4	14	11	79%	34%
In Service Death	4	12	8	67%	22%
Retirements	5	914	819	95%	87%
NON PRIORITY CASES					
Divorce Cases	5	53	43	81%	71%
Transfer Out	5	79	42	53%	44%
General Enquiry	5	830	709	85%	91%
Transfer In	7	173	81	47%	40%
New Joiners	5	2989	2242	75%	89%
Early Leavers	See Below	1994	1653	83%	87%
Deferred Benefits	20	1342	1126	84%	64%
Refunds	9	652	527	81%	91%
Overall		**9409**	**7596**	**81%**	**83%**

Priority Cases. As mentioned previously, the administration team have undertaken a survey of scheme members to understand member expectations around performance and the outcome of this research will be presented to the Authority in March with a proposal for an updated set of performance targets for

2019/20. The intention is that these targets will be set in a manner which will be consistent with external benchmarking targets (see separate report).

5.6 **Non Priority cases**. Of the 8,112 non-priority cases with a service standard that were completed in the quarter 6,623 were completed in time for a performance of 81.6%. However, a further 9,703 non-priority process without an allocated service standard were also completed in the reporting period.

6) **Aggregation Project**

6.1 Members were advised previously that the project to process the long standing "aggregation" cases commenced on 1 October 2018 with an anticipated six month duration. As at 1 October 2018 there were approximately 8,000 cases identified for investigation and action.

6.2 Progress with the project is particularly difficult to quantify in a meaningful way because of the numerous possible scenarios under which cases can require processing as well as the fact that these often multiple pension records with multiple decisions required from scheme members. However, processing over the first three months of the project has achieved the following:-

   - 1268 quotations provided to members
   - 1643 cases settled, completed and closed
   - 1200 quotation calculations completed and ready to issue
   - 23 miscellaneous aggregation processes completed

6.3 The project team will continue in place until such time as the 'legacy' cases are resolved and aggregations can be handled on a business as usual basis.

7) **Employer Performance against their SLAs**

7.1 Members will be aware that 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)

7.2 Since the implementation of monthly data collection, the monitoring of performance via completion of individual Form submissions from employers no longer produces meaningful results so this reporting has been removed temporarily. In conjunction with Civica, the administration teams are developing a workflow tool designed to permit the performance of ALL employers across ALL administration functions.

   This would include where SYPA has lodged routine individual queries with employers. It is hoped that this tool will be live for new case work from 1 April 2019 so that reporting can commence at the end of Quarter One of 2019/20.

7.3 In the meantime, members are aware that **Monthly Data Collection (MDC) w**as 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 19th of the month following the pay period.

7.4 The tables below show the number of returns received for each of the relevant months in the quarter. It is pleasing to note that performance from employers on MDC remains high, with the administration team actively engaged with supporting the small number of employers (and their payroll providers) who are not meeting the monthly submission requirements.

September-18 (due Oct)	Number of returns expected	Returns received	Outstanding	% Success Rate
Total Active Employers in SYPA Fund	470	452	18	96%

October -18 (due Nov)	Number of returns expected	Returns received	Outstanding	% Success Rate
Total Active Employers in SYPA Fund	470	463	7	98.5%

November -18 (due Dec)	Number of returns expected	Returns received	Outstanding	% Success Rate
Total Active Employers in SYPA Fund	472	464	8	98%

7.5 Although this performance is encouraging, our own data analysis of MDC data against the year-end data for 2017/18 has revealed that a number of employers may have been reporting the 'Final Salary' pay figure incorrectly on the MDC data. This does not cause any immediate problems but employers will need to resolve this by the time of their March submissions to ensure there is no impact on the data extracted for both the triennial fund valuation and the member's 2019 annual benefit statements. Those employers with potential discrepancies have been contacted individually.

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 October 2018 to 31 December 2018

Period	Certified	Uncertified	Overall
Oct	2.3%	0.8%	3.1%
Nov	2.2%	1.7%	3.9%
Dec	2.0%	1.0%	3.0%
Total	2.1%	1.2%	3.4%

1 July 2018 to 30 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%

8.2   Certified sickness absence reduced slightly in comparison to the previous quarter, but there continue to be two members of staff on 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.   **CIPFA Benchmarking**

9.1   SYPA has for a number of years been a participant in the LGPS Benchmarking club run by CIPFA. The Benchmarking club is voluntary and has a varying number of participants with only 33 out of approximately 90 funds choosing to participate in the 2018 exercise. Although this limits the conclusions to be drawn from a national perspective, the Benchmarking club currently remains the principal source of comparative data available to LGPS funds to measure administrative costs and performance.

9.2   SYPA has actively participated in recent discussions with CIPFA aimed at introducing requirements to report on administrative costs and performance in the Pension Fund Annual Report. It is hoped in future years this will assist in providing a more detailed national picture and therefore more comprehensive comparative data.

9.3   **Appendix A** shows the report of comparator data which compares SYPA with the 13 funds who are most similar in terms of membership numbers. This provides a more accurate picture of administrative costs than the full report (included at

Appendix B for completeness) which includes a number of smaller funds who could not be expected to benefit from the same economies of scale.

9.4   Section Two of the report shows that the total cost per scheme member for 2018 was **£18.67**, compared with an average of **£17.42** for the comparator group (£21.16 for all participating funds).

9.5   Drilling down to understand why SYPA is comparatively more expensive, Section One shows the total staff cost per member is **£11.87**, compared with an average of **£8.98** for the comparator group (£9.04 for all participating funds). Other running costs (IT, accommodation, etc) are broadly in line with other funds so staffing costs are the principal differentiating factor.

9.6   The increase in staffing costs in 2018 is understandable and explained by two principal causes. Firstly, a restructure of the administration function resulting in an increase in staffing numbers was agreed by the Authority in early 2017. This was partly due to the additional staffing costs of implementing monthly data collection from 2018. Secondly, the 2018 data included the cost of the teams based in the four District offices for the first time – these teams had previously been excluded on the basis they had historically focused on carrying out functions for the District Councils but this is no longer the case.

9.7   Although explainable, the increase in staffing costs places SYPA as a potential outlier in terms of the overall costs per scheme member which is not a desirable position in the longer term. For 2019 it is likely the staffing costs would have reduced slightly due to the increased number of vacant posts within the administration area but a more sustainable long term approach is required to bring staffing costs back in line with the best performing funds.

9.8   Section 4 of the report demonstrates that SYPA has a higher proportion of longer serving and higher paid staff than the average. Whilst this has some clear advantages in such a specialised area, the Head of Pensions Administration will be seeking to realign the balance over the longer term by substituting a number of historically higher paid posts with less specialised entry level career graded positions. This will have the advantage of rebalancing the age profile of the workforce and will be made possible by the improved use of technology to automate case processing where possible as well as the long term efficiency improvements associated with the move to monthly data collection.

9.9   It is anticipated this staffing change can be achieved without the need for compulsory redundancies, though some grade adjustments will be likely to be required. Any changes made to current team structures will none the less be focused on continuous improvements to the service provided to scheme members and employers in the fund.

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