

# South Yorkshire Pension Authority

## Project/initiative: Annual Benefit Statement Exercise - Review

Author(s): Richard Edwards      Date: 17/12/2020

### Summary

The challenge for the Authority is to get the *Monthly Data Collection* (MDC) process under control and fully up to date by the end of March 2021, as the successful collection and processing of month 12 data will have a direct bearing on the 2021 Annual Benefit Statement (ABS) process. We need to avoid reaching a position in June and July where we are playing catch up with MDC when we should be focusing on the ABS process.

By the end of February 2021, all employers must be reminded of their legal obligations, duties and responsibilities in respect of the 2021 ABS process. To avoid a repeat of the slow start to the 2020 ABS exercise, key decisions relating to ABS parameters, formats, and special requirements need to be made by the end of March 2021, if not sooner.

By the end of March 2021, Authority staff need to be fully appraised of their ABS roles and responsibilities, and a senior officer selected to oversee the main ABS production process through to its conclusion.

By the end of April 2021, we want to be ready to start the main ABS production process. Any MDC issues still outstanding should be escalated to the Authority's senior management team and employer's senior management team; likewise, any ABS related employer decisions and information requests.

The main ABS process appears to be generally sound. However, simplifications relating to the number of statements and their processes have been identified. Implementing these recommendations will speed-up the ABS process and reduce the number of unforeseen complications arising from special causes. The formation of an ABS 'Rapid Action Team' to tackle any special causes would further de-risk the 2021 ABS exercise.

What the Authority needs to do now is learn the lessons from the 2020 ABS exercise and those before it. COVID-19 undoubtedly had an impact on the 2020 ABS exercise, but Authority staff were quick to adapt to new working patterns and the technologies underpinning them. With conscientious management support and full cooperation from employers, the 2021 ABS exercise will meet the desired outcome in an efficient, effective, controlled manner.

### The concern

During the first 84 (elapsed) days of the 2020 ABS exercise, 64% of statements were produced by the end of August – a shortfall of some 16,700. The remaining statements were produced over the next 43 (elapsed) days, draining resources from other business activities and initiatives. The Authority was obliged to report this non-conformance to The Pensions Regulator (TPR).

The goal for the 2021 ABS exercise is to complete the necessary activities effectively and efficiently, and to do so in accordance with LGPS Regulations.

Regulation 89 of the LGPS Regulations 2013 requires that administering authorities issue a benefit statement to all active, deferred and pension credit members. It specifies that they must issue these statements within five months of the end of the Scheme year, i.e. by 31 August.

The concern is that the 2021 ABS exercise will be a repeat performance of the 2020 undertaking unless lessons are learned, and countermeasures and corrective action are taken before hand.

# SIPOC

<b>Process name:</b>	Annual Benefit Statement
<b>Prepared by:</b>	R Edwards, A Kenyon, A Ramsbottom, J Webster
<b>Date:</b>	24 November 2020

Inputs		Process	Outputs	
Suppliers	Description & Requirements		Description & Requirements	Customers
Employer/payroll processor	Month 12 MDC data	Annual Benefit Statement	Test statements for SYPA staff	SYPA staff
Employer/payroll processor	Decision from employer on how SYPA should calculate year end pay figure. AVG or M12 figure?		SYPA staff comments on test ABS	Angie Sykes
SYPA staff	ABS test results and feedback		CARE dashboard notification (ready to process CARE)	Karen Roberts
Focus group and local Pension Board	ABS comments and feedback		ABS sashboard notification (ready to process ABS)	Karen Roberts (Pensions Systems Officer)
			Annual Benefits Statement	Scheme member
			ABS email notification and letters (<0.1%)	Scheme members

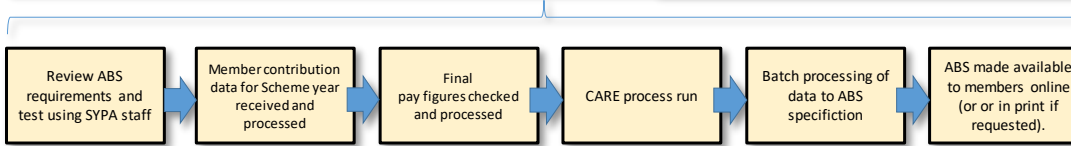


Figure 1

The SIPOC chart shown above (Figure 1) presents a high-level view of the ABS process, with key 'Suppliers', Inputs, Process steps, Outputs, and 'Customers'.

The Monthly Data Collection (MDC) process is a critical input to the ABS process, as the information gathered here is used as part of the annual benefit calculation.

Sheffield City Council, Rotherham MBC, Doncaster MBC, Barnsley MBC, The Chief Constable, and Sheffield Hallam University represent 60% of Scheme members, with RMBC providing payroll services to DMBC and more. This means that production of Statements is highly dependent on the efforts of the payroll/HR teams within these organisations, especially in terms of providing timely and accurate pension-related payroll data.

The Authority's senior management team is committed to improving the MDC process and the ABS process.

## Root causes

Civica Unified Pension Management (UPM) is the source of data used in monitoring of the ABS process. *UPM Reporting Services* provides a simple dashboard (Figure 2) indicating the progress of the ABS exercise. Reports within the 'Utilities' section of UPM offer additional system and process insights and the DART system can also be used to generate data relating to the ABS process.

Although such information may exist, the author is not aware of any key performance indicators (KPIs), such as processing time, queue time, work in progress, total lead time, process cycle efficiency, etc.

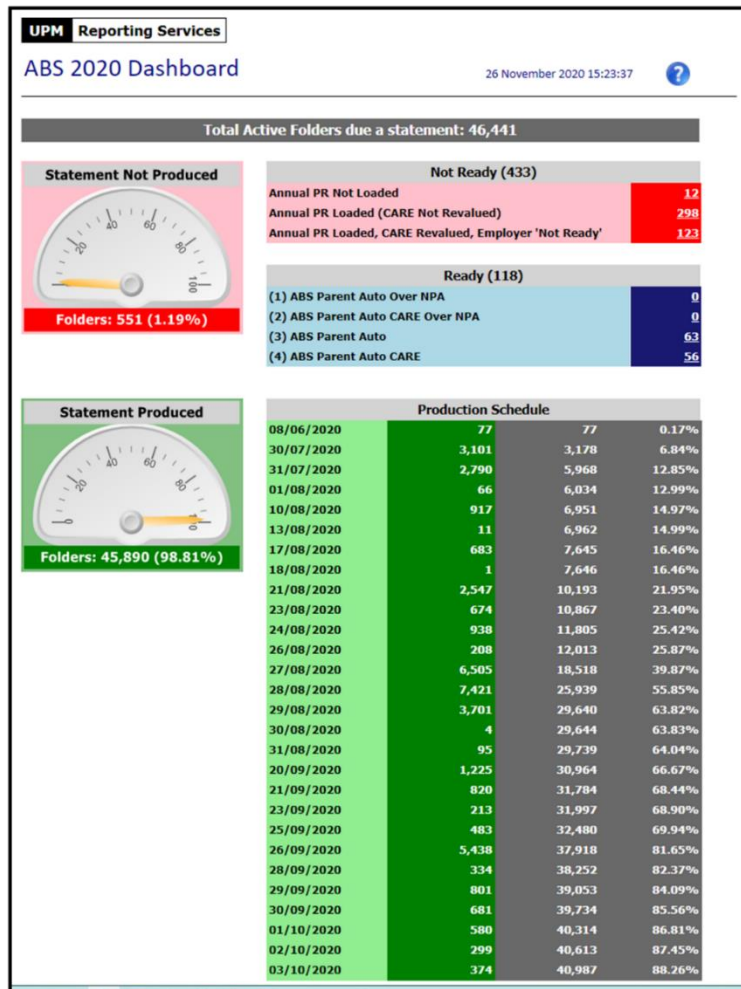


Figure 2

First-pass analysis of the 2020 ABS exercise suggests that progress generally followed that of 2018 and 2019 (see *Figure 3*), albeit with some noticeable delays. The 2020 'lead-in' period (days 0-52) was significant longer than previous years, plus there were at least four distinct periods of delay (as denoted by the green arrows) when compared against 2018 and 2019.

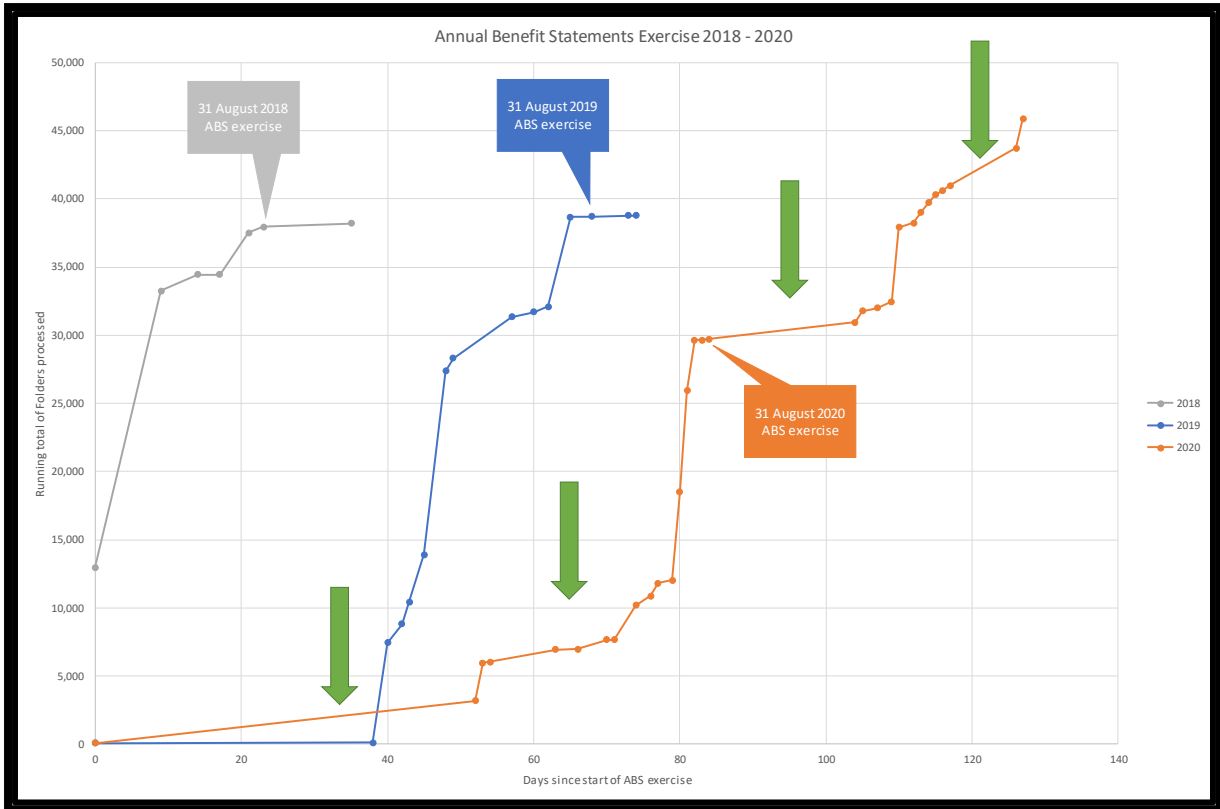


Figure 3

It would be an understatement to say that 2020 has been an extraordinary year, thus the effects of the COVID-19 pandemic on the ABS process cannot be underestimated. However, further investigation by the Authority points to several probable root causes, including:

- A delay in obtaining CARE calculation information from some employers.
- The knock-on effects of significant delays in the MDC process, especially regarding Rotherham MBC (see next item) and, by association, Doncaster MBC.
- The implementation of a new HR/payroll system at Rotherham MBC which resulted in significant delays relating to the MDC process, creating extra work for key SYPA staff involved in the ABS process. Rotherham MBC provides payroll services to Doncaster MBC, so the affects were compounded.
- Significant amounts of additional 'work in progress' were spawned as a result of employer data quality issues and UPM data validation challenges. This extra work induced significant delays in ABS batch processes for some employers.
- The knock-on effect of increased complexity in the MDC process caused by 'on the hoof' customisations required to accommodate the needs of individual employers.
- The over processing (adding more value to the service than is required) of certain MDC process activities caused, in part, by wide variations in employer MDC data and processes.
- Errors and mistakes on the part of some employers involving the MDC process.

## Additional constraints

Organised by category, the following constraints have been identified as contributing to some of the root causes mentioned above:

### People-related constraints

- Data processing capacity of Authority staff possessing appropriate UPM, employer and pensions knowledge.
- Employer payroll staff response capacity when dealing MDC data issues.
- When process tolerances were forecast to be exceeded, a lack of clarity relating to operational ownership of the end-to-end ABS process is likely to have resulted in delayed escalation to the senior management, delaying the deployment of countermeasures and corrections.

### Process-related constraints

- Increased process complexity resulting in longer service delivery times.

### Data-related constraints

- Poor MDC data quality reduced the rate at which the ABS exercise could proceed.

### Technology-related constraints

- Some of the UPM functions and validation routines that are central to the ABS process cause 'slow-running' and, on occasion, unplanned system stoppages due to underlying technical constraints.
- Some of the UPM functions and validation routines that are central to the ABS process need to be scheduled to run out-of-hours, causing a break in the process flow with resulting delays.
- Some of the underlying data processing routines, particularly those related to 'folder matching', take a long time to complete, slowing down the overall ABS process.
- Rotherham MBC payroll system implementation/migration resulted in MDC delays, creating a knock-on delay for the ABS process.

### Environment-related constraints

- Adapting to homeworking as a result of COVID-19 presents additional challenges, obstacles, and complications for SYPA and employer staff, resulting in small stoppages and slow cycles.

## Identified wastes

Organised by category, the following wastes have been identified as contributing to the decreased efficiency of the ABS process:

### Waiting

- Certain UPM functions and validation routines that are central to the ABS process need to be scheduled to run out-of-hours. This halts the process flow and increases the wait time for the process steps that follow.
- Authority staff had to wait for input from employers relating to CARE calculations, causing delays to ABS processing in some cases.

### Over processing

- Data that is not time-dependent is often submitted as part of the MDC process. This can generate additional work in the form of child processes for Authority staff, increasing the amount of work in progress and thus creating a knock-on delay in the ABS process.

### Defects (or errors)

- Errors contained within the data submitted by employers as part of the MDC process resulted in increased data checking and rework by Authority staff. The knock-on effect was delayed ABS data processing.

## Overall operational effectiveness

Statistics for summarising ABS process position (spread, averages, medians, etc.) are not readily available. However, the level of variation seen in the MDC process indicates that this process is not yet 'in control' for some organisations, especially Rotherham MBC.

## Countermeasures and corrections

As far as possible, the Authority provides support to employers, helping them to understand and carry out their duties in relation to the scheme. This includes understanding the processes and methods they use to provide information to the scheme and talking to them about how the Authority, they, or third-party providers might introduce changes that would improve these processes.

In response to the 2020 ABS review process outlined above, the following countermeasures are proposed:

1. To reduce the amount of rework and wasted effort carried out by the Authority, establish a data quality requirement with employers as part of the MDC process.
2. To improve data quality and reduce MDC validation errors by adding an "FYI" sheet to the MDC spreadsheet template for use by employers as part of their MDC pre-submission process.
3. To reduce the need for folder matching and the resulting UPM slow running, provide employers with up to date FOLDERREF information via Employer Web.
4. To reduce the amount of work in progress associated with MDC and ABS, focus the efforts of Authority staff on tasks that MUST be completed by the end of March 2021. Likewise, employers must fulfil their obligations as outline by TPR.
5. To ensure ABS operation efficiency and effectiveness, assign an operational process owner and provide them with appropriate tolerances, escalation procedures, and reporting requirements.

For the Authority to issue Statements (and to provide employers with information to support the completion of annual reports and accounts), employers must complete the following activities:

- Provide up to date and correct data for all employees by the end of the scheme year (31 March)
- Confirmation of CARE year end closure information

Having received the necessary data and information, the Authority must then run the ABS process efficiently and effectively.

## Planning for the 2021 ABS exercise

As part of the planning exercise presented in the Annual Benefits Statement checklist (Appendix A), the Authority has initiated a workstream to bring the MDC process under control and produced a provisional employer engagement plan (Appendix B).

### Key Q1 2021 milestones:

- **January:** Early engagement with the six largest employers (representing 60% of members).
- **February:** All employers reminded of legal obligations, duties, and responsibilities.
- **March:** Key decisions relating to ABS parameter, formats, and special requirements made. Authority staff trained and appraised of their roles and responsibilities. ABS production manager appointed; Rapid Action Team members identified. UPM updated and stabilised as required.
- **April:** Ready to start main ABS production process. Escalation of outstanding MDC issues to senior management team.

## Appendix A

### Annual Benefit Statement checklist

Plan	Details
Identify data requirements	What information is needed and when is it needed by? Who provides it and in what format? What is the process for data quality assurance? Who owns and delivers this?
Identify critical dates	Identify the legislative deadline and then work backwards considering printing lead-in times, IT testing time, time for data testing and issue resolution, deadline for employer/payroll providers to provide data. When do data requirements need to be scoped and finalised?
Define communications plan	Who are our stakeholders? Do they know what they need to do and by when? Is any training required? How will we keep them informed? How will member queries be handled?
Identify risks to delivery and develop contingency plans	Identify potential risks to delivery, consider and document mitigation actions, identify points of contact and escalation and make them aware.
Define monitoring process	Who will monitor delivery processes and how? How will progress be reported and to whom?

Test	Details
Test systems and processes	We will need various systems and processes to deliver and these will need to be tested in advance. This could include, amongst other things, testing data files, ensuring compatibility between systems (e.g. payroll and other software), checking formulas for benefit calculation.
Review and update ABS format	Review the format of the statement itself. Is all the required information provided? Is it clear and easy to understand? Are arrangements in place to provide the statement in other formats due to accessibility issues?

Deliver	Details
Process data	Has data been checked against all member categories, have queries been raised with employers and resolved? Has the output of calculations been tested? Who will sign off clean data to be used by your printers or publishers?
Issue the ABS	Have you done a test run? Is there a process for following up on undelivered or returned statements?
Address member queries	Are you keeping appropriate records? Are processing time targets being met?

Review	Details
Identify lessons learned	What were the issues? How were they resolved? How will you prevent these happening next time?
Update plans and processes	Update your plans and processes accordingly for next time.
Report and communicate changes	Report and communicate any changes or lessons learned to relevant stakeholders. Where an issue resulted in a failure to comply with your legal duties and this is likely to be of material significance to us, ensure that you submit a breach of law report at: <a href="http://www.tpr.gov.uk/PS-breaches">www.tpr.gov.uk/PS-breaches</a>

## Appendix B

### Provisional employer engagement programme

#### **Jan 21 – Quarterly Newsletter issued**

- Reminder of importance of submitting monthly data ahead of 10th of month, recommending up to a week earlier.
- Cover how MDC fits into processes, including the Annual Benefit Statement exercise.
- Importance of responding to data queries.
- Offer sign-ups for employer training – Payroll duties and data queries.

#### **During Q4 2020/21 – Employer training courses**

- Encourage sign-ups for sessions running through the quarter – targeting employers with known MDC issues.
- Run sessions (multiple dates, TBD)

#### **13 April 2021 – Quarterly Newsletter**

- Notify of year end, emphasising importance of submitting data on time.
- Annual Benefit Statement exercise approaching, essential that the employers respond to any outstanding queries – highlighting statutory duties etc.
- Thank training attendees during quarter, reminder that training and support is available if required.
- Reemphasize key messages placed in the January newsletter.

#### **After MDC load in April**

- Liaise with MDC colleagues to identify employers with poor or outstanding MDC submissions for the ABS period, issue targeted comms by month end and initiate engagement actions to run as required through April end and into May (training, meetings, reminder of penalties for non-compliance).

#### **Any outstanding issues at 1 June**

- Require recovery plan and support as required
- Penalties where appropriate or set deadline for avoiding penalty where employer has shown “good faith”