

# **SOUTH YORKSHIRE PENSIONS AUTHORITY**

**6 October 2016**

## **Review of Pensions Administration since the implementation of the UPM System:**

**Year 2**

### **1. Purpose of the Report**

To provide Members with a comprehensive review of the experience of the Pensions' Administration Division of the Authority since the last report of this nature in October 2015

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### **2. Recommendations**

**Members are recommended to consider the contents of the report with a view to commenting on any areas of the report where they have new or continued concerns**

### **3. Introduction**

- 3.1 Officers presented a report to the October 2015 meeting that appraised Members in detail of the Administration Division's experience since the purchase and subsequent launch of the UPM Pensions Administration System in November 2014.
- 3.2 Members asked for a further similar report 12 months on and this is now presented as requested.

### **4. Background Information**

- 4.1 Members are already very aware of the extremely problematic and difficult history that the Authority has had with the system and its development company Civica, both up to the 2015 Report and since. Members have twice "invited" senior representatives of the company to attend Authority meetings to explain their lack of performance and provide assurances for the future. In addition the question of compensation for the outlay on overtime has also been the subject of discussions and Members are already very much aware of these discussions and their outcomes. As such no further background information is provided here.
- 4.2 The following sections of the report detail the current situation across the various sections of the Administration unit with comparators against the situation a year ago where appropriate.

### **5. Member Services**

- 5.1 Performance: The first table below shows the casework performance for the period reported to Members in the 2015 Report. Members will recall that a full year's reporting was unavailable because the system had only been live for around 10 months at the date the report was written. The second table reports on the performance for the full year since.

Performance for the period 1<sup>st</sup> December 2014 to 14<sup>th</sup> September 2015

Work Category	Number Completed	Within Target	Target
Priority Casework	<b>6,531</b>	<b>66.16%</b>	<b>100%</b>
Non-Priority Casework	<b>37,655</b>	<b>54.44%</b>	<b>96%</b>
All casework	<b>44,187</b>	<b>56.17%</b>	<b>97%</b>

Performance for the period 15<sup>th</sup> September 2015 to 14<sup>th</sup> September 2016

Work Category	Number Completed	Within Target	Target
Priority Casework	<b>9,168</b>	<b>73.87%</b>	<b>100%</b>
Non-Priority Casework	<b>54,534</b>	<b>84.61%</b>	<b>96%</b>
All casework	<b>63,702</b>	<b>83.06%</b>	<b>97%</b>

- 5.2 As can be seen, although the reporting period is for a full year and therefore a slightly longer period than the 2015 reporting period, the Unit processed 19,515 more cases (44% more) and improved performance in all areas.
- 5.3 Having said that the performance is still short of where we are used to being and where we wish to be again but, as overtime has continued, many cases processed during Saturday working are already out of time and thus tend to drag down the overall performance level.
- 5.4 The Authority, for a number of reasons, currently has a large amount of outstanding work to process despite the original backlog reported last year being cleared on target by 31<sup>st</sup> December 2015. This outstanding work has resulted from the requirement for the Authority to manage the year end routines this year with the objective of issuing annual benefits statements on time as well as preparing the valuation data to enable the actuary to calculate new employer contribution rates from April 2017. Both these projects carried a significant price in relation to non-priority casework.
- 5.5 Senior Management, faced with the prospect of simply not having the staffing resource available to maintain casework processing and complete the work required to meet the statutory deadlines on annual statements and the valuation, made the decision to concentrate on the Year End work and only process the most urgent priority cases during May, June and July. Having also introduced financial penalties through the new Pensions Administration Strategy for employers failing to supply their Year End Returns by the 31<sup>st</sup> May deadline we had an added responsibility to those employers who issued their returns on time to ensure their members received their statements by the deadline.
- 5.6 I am pleased to be able to report that as a result we were able to issue over 44,000 statements to members by the 31<sup>st</sup> August deadline. This represented a massive improvement in the usual outcome at this time of the year and was beyond comparison with the performance in this area last year which, in simple terms, was disastrous because of the problems with the UPM system. It is intended to issue a further run of statements at the end of October for those members who did not receive a statement in the August run.

- 5.7 The results do not mean that the system is now trouble free. The efforts of everyone concerned with the outcome of this project this year cannot be underestimated. There has been a monumental and sustained effort to get the Authority to this stage but it comes at price both in terms of continued overtime working, backlogs of work and ultimately failure of performance targets. The situation has also been exacerbated by the dedicated efforts required to deal with the provision of data for the valuation and dealing with actuarial queries arising from that data.
- 5.8 As a result of the concentrated efforts made to meet our Statutory obligations in respect of Annual Benefit Statements, the valuation exercise and the sacrifice of all but the most urgent priority casework, the Unit now has a casework load of just over 6,000 historical cases to deal with as a project. Members will recall that at its peak the backlog occasioned by UPM in the first year surpassed 11,000. Ways of dealing with this in the most efficient and speedy manner in addition to overtime efforts are being examined.
- 5.9 Overtime efforts currently continue on Saturdays but the summer season has seen a reduced turnout in many weeks as Staff have taken their holidays.

## **6. Payroll**

- 6.1 The Pensions Payroll process has improved dramatically in the last two months. One of the few areas of the UPM system that has shown a marked improvement over a short period. Prior to this the issues outlined in the 2015 report were still plaguing the unit and reducing the system time available to staff for routine casework because of the need to have an early payroll closedown date and a lengthy closedown period.
- 6.2 RTI, the Real Time Information submission to HMRC that invariably failed with errors each month, has submitted smoothly and quickly for the last two pay periods, (there was a slight issue last month where the numbers of staff accessing the MyPension facility following receipt of Annual benefit Statements appeared to impact on performance. This is being investigated by the IT Manager and is not thought to be a UPM issue). Should this smooth processing of the RTI file continue into the next pay period then confidence in the system should further improve and consideration can then be given to returning the payroll closedown date to a more normal and later schedule. The beneficial knock-on effect of this would be considerable.
- 6.3 Closing the tax period also presented problems each month but is now another smooth error free process at the moment and again brings additional benefits beyond payroll.
- 6.4 It may also be fair to say that the relatively recent introduction of new payroll staff into the section has also helped in that the new staff were not already worn out by the chaotic and stressful time experienced from the live launch to the current time and have been able to deal with the system and its problems from a fresh perspective.

## **7. Information Technology**

- 7.1 In the 2015 Report I said that the Authority was aiming to release some aspects of the Member Web facility for pensioner members by mid-October and was security testing the system. In the end it was problematic to release it to pensioner members only and so the facility was launched for all members instead. Over 4,000 members have now registered.

- 7.2 The overall quality and look of the system is below what we had been led to believe and at launch only limited functionality was available and despite significant effort on our part we are still unable to release the online benefit calculator to scheme members. This has brought criticism from the membership as they are quite rightly used to much better online offerings from other providers they come in to contact with in their daily lives.
- 7.3 The Employer Web facility has also been a catalogue of delays and disputes having first been installed during January 2016. Progress has finally started to be made and we are trialling the issue of forms through the system with our district offices. This is a big step forward as it heralds the start of straight through processing allowing data that is sent to us to be automatically uploaded to the member database cutting out manual handling and data input processes.
- 7.5 The IT Manager has recently developed an in-house application for UPM to allow text messaging to members. This was a facility that we had under the old system and the new application is about to be released to staff.
- 7.6 The IT Manager has also developed and released a new version of DART for UPM. Members may recall that this system, (Data Analysis and Retrieval Tool), was developed for the old AXIS system and is a critical management tool in terms of reporting data issues and inconsistencies. Its development for UPM will be a major step forward in cleansing our pensions data but in order to make best use of the system the authority will need to be able to ensure it has the resource available to deal with the data issues reported. Demonstrations are being arranged with other UPM users with a view to selling this software to them.
- 7.7 A new version of UPM is due to be delivered and needs to be installed by the end of December 2016. The Authority is not optimistic about the installation as past experience tells us that some of the things that currently work will not do so after the new release. There will also be an additional testing burden as well and as this is a core software release that has interdependencies on other parts of the system we have no option but to install it.

## **8. Technical & UPM Development**

- 8.1 This is an area where the Authority still has major issues with the UPM System and Civica. The Authority has diverted some resource within the Member Services Unit to create a temporary dedicated in-house problem solving post to act as the liaison between the UPM Team and member Services and Payroll. This alleviates some of the pressure on the UPM Team and aids consistency across the office for those staff encountering problems that can be resolved locally, and there are still many of these.
- 8.2 The calculation update release that the Authority received from Civica in March 2016 created more problems than it solved. It has caused more manual calculations to be required than prior to its release, in turn this requires more manual checking resource, the calculations require more in-house testing which in turn diverts resource away from routine casework. Despite Civica protestations to the effect that the calculations have been tested it appears that their testing regime is very limited and the culture is to test those perfectly straightforward cases which are few and far between in reality. When applied to real world scenarios problems arise on site and further testing falls to the Fund concerned.

- 8.3 Bulk Data Importers, (BDIs), continue to be a problem area. Members will recall that delays in last year in bulk exercise processing were mainly down to late releases of bulk processes, processes that did not work when released or failed at critical junctures and calculations within processes that did not work correctly.
- 8.4 The Valuation Extract BDI, required to provide data to the Actuary for the 2016 valuation, was painfully slow and initially inadequate. Although performance improvements were made by Civica the process still took the better part of a working week to run compared to a few hours on our old system..
- 8.5 The Annual return BDI took was initially not fit for purpose and took months of effort internally until we were satisfied that we could run the returns and progress the Year end routines. As members know, the annual returns exercise is critical to the production of annual statements.
- 8.6 We have a significant number of internal and external UPM error/development logs and although priority issues are being looked at it is proving impossible to keep on top of all of them. The same goes for Civica who have hundreds of issues raised by their LGPS client base.
- 8.7 We meet with Civica on a monthly basis to discuss outstanding issues and receive updates on developments in production. We have just recently agreed a performance monitoring framework which will help us to closely monitor Civica's performance and clearly highlight success and failures. Within the last couple of months the two most senior managers in the Civica pensions unit have left and there is now a new management team in place. We haven't met them yet but we are intending to air our concerns with them as soon as possible. We continue to participate in the various user groups and just recently our senior technical officer has been elected Chair of the group dealing with calculation issues.

## **9. Customer Service/Complaints**

- 9.1 The authority received 23 Formal Complaints during the 10 month live period reported in October 2015. As mentioned at the time this was a much larger figure than the authority had been used to dealing with and would have been more but for staff interventions in the early stages of customer discontent. The number of complaints directly linked to UPM problems was about twice the number of total complaints usually received in a year.
- 9.2 In this reporting period the Authority has received 24 formal complaints, many directly linked to system performance or issues caused by the way in which the system works and calculation error problems. About two thirds of this number were received in the period following the last report and up to the end of March this year indicating that problems continued but are starting to reduce and slow the number of complaints received. Training, experience, system familiarity, known errors being logged and disseminated across the Unit and additional resource placed into problem solving have all helped to slightly downturn the discontent effect on members since March this year.
- 9.3 It is worth noting that the system still has occasional tendencies to make random errors for which there initially appears to be no logic and these are the ones that cannot be pre-empted, prepared for, or picked up at the checking stage unless additional resource to enhance the checking processes for all cases involving a calculation is introduced.

## **10 Conclusion and current position**

- 10.1 Overall, the Authority is better placed than it was a year ago in relation to the UPM System but we are not yet back to our previous high level of performance.
- 10.2 There are still high levels of frustration matched by low levels of morale amongst the staff who, despite the stresses and strains they have endured and have maintained an high level of attendance. As a group they have shown determination to get the job done and to provide a high level of customer service members as well as possible in difficult circumstances and their intervention has certainly kept senior management involvement in disputes to a minimum.
- 10.3 Additionally, we have a group of staff who have worked virtually every Saturday for eighteen months and, whilst their assistance has been of immense value, that effort is voluntary, cannot be relied upon, is costly, and will take its toll eventually.
- 10.4 Civica, as a company are struggling to get to grips with the influx of new clients and at times seem oblivious to our pressures and deadlines. Since signing the contract there have been a number of senior personnel changes, each one promising better things for SYPA, and each one in turn failing to deliver on those promises. It is hoped that the most recent changes are successful in reversing this trend.
- 10.5 Our issues have not just been confined to UPM as we have also had to contend with additional demands arising from LGPS 2014 and increased scrutiny from the Pensions Regulator who has issued a code of practice and statutory guidelines that we have to adhere to.
- 10.6 I mentioned earlier in the year that we needed to conduct comprehensive review of our working practices and the structure of the unit. This review is now well underway and a report will be issued to you in the not too distant future.

## **11. Implications**

- **Financial** - There are financial implications to this report in that:
  - Overtime payments are still being made to maintain the flow of casework and aid performance
- **Legal** - None
- **Diversity** - None

**Gary Chapman**  
**Head of Pensions Administration**  
Phone 01226 772954  
E-mail: gchapman@sypa.org.uk

**Background papers** used in the preparation of this report are available for inspection in the Pensions Administration Unit.