

Subject	Update on Pensions Administration Improvement Plan	Status	For Publication
Report to	Authority	Date	12 September 2024
Report of	Assistant Director - Pensions		
Equality Impact Assessment	Not Required	Attached	Na
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1 Purpose of the Report

- 1.1 To update the Authority on the Pensions Administration Improvement Plan.
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2 Recommendations

- 2.1 Members are recommended to:
- a. **Note and comment on the 2024/2025 plans for Administration improvement that are in place.**
 - b. **To agree to add a new risk related to the McCloud project to the Corporate Risk Register.**
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3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers, whether scheme members or employers.

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision-making processes. The report includes information about the engagement with the employers in the scheme and how SYPA can support them to complete their responsibilities.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times. The report includes detail on the overall administration performance to ensure Members are able to scrutinise the service being provided to our customers.

Valuing and engaging our Employees

To ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report seek to address operational risks around data quality and backlogs in work (O2 and O6) and the people risks around vacancy levels and single points of failure (P1 and P2). The key mitigants of these risks identified are the plan to address backlogs on a systematic basis and the recruitment to new roles approved by the Authority which will increase the resilience of the team and ensure that there are sufficient resources to handle incoming work.
- 4.2 In addition, a new risk has been identified relating to the ability of the Authority's software supplier to deliver the updates required to give effect to the McCloud rectification in line with the relevant regulatory timescales.

5 a) Executive Summary and highlights

- 5.1 Further work was undertaken on improving the Authority's pension administration service in the last quarter. This was as well as undertaking all year end tasks, which included, ensuring all data has been received for the active membership, CARE roll up, Pensions Increase for deferred members and pensioners, data cleansing for Pensions Increase and Annual Benefit Statement production, onboarding new employers and ceasing those that no longer have active members in the Fund.

Corporate Action	Update	On Target
A1 – Improvements in Data Quality	Priority given to ensuring the GMP reconciliation and rectification project is completed.	Yes
A2 – Recruit to the Pensions Administration structure	Recruitment is underway.	Yes
A3 – System Improvements	System Audit undertaken; actions being monitored monthly. Work progressed slowly on first process improvement. Project being reassessed and remedial action taken.	At Risk
A4 – Clear backlogs	30% of backlog cleared by 30 June 2024. Behind 50 % target for mid-year. Reassessment of project timescales to be looked at in Aug/Sept 2024.	At Risk
A5 – Implement the McCloud Remedy	Dependant on Software supplier developments. Delays for phase 2 developments.	No
A6 – Successfully link SYPA to the Pensions Dashboards	Project to start Autumn 2024.	Not Started

- 5.2 The at-risk projects are to be reassessed in Autumn 2024. The only project not on target is the McCloud project and the Authority is not in control of how quickly the software provider can develop the software. The Authority is along with other users of the system putting pressure on the provider to not delay developments further.

5 **b) Background and Options**

5.3 The Corporate Plan introduced an Administration Improvement Plan. The Plan is a series of interlinked activities, intended to address long standing issues, which have affected the underlying performance of the administration service, and to place the service on a stable and sustainable basis.

The plan was influenced by;

- Changes in the nature of the scheme caused by regulatory changes which will require the recalculation of benefits in payment and entitlements for a sizeable proportion of scheme members.
- The need to address the long-standing backlogs and process issues within the administration service.
- Developments within the Local Government Pension Scheme and the wider pensions industry such as the Pensions Dashboard.
- Technological developments.
- Feedback from stakeholder groups, including scheme members, employers and our staff.

This programme of work incorporates the need also to address things over which the Authority has no choice, such as the need to implement the changes in the pension regulations arising from various legal challenges related to discrimination based on either age or gender. The improvement plan represents a significant volume of work for the team over a number of years and must not be underestimated.

5.4 The Administration Improvement Plan aims to deliver in six key areas:

A1 – Improvements in Data Quality

A2 – Recruit to the Pensions Administration structure approved at the end of 2023.

A3 – System Improvements to ensure that the Authority is making the best use of technology.

A4 – Clear backlogs

A5 – Implement the McCloud Remedy

A6 – Successfully link SYPA to the Pensions Dashboards

5.5 **A1 - Improvements in Data Quality**

A Data Improvement Strategy, part of which will be an annual improvement plan is to be drawn up. This will focus on overall data improvements not just TPR scores. Investigations have highlighted historical data issues, some of which go back to when the software system was implemented in 2014. These data issues need to be understood and categorised into whether they affect benefit calculations, communications to members or are nice to have /insignificant. Recruitment to the new posts in Technical and Training Services is required before this can be realised. The current priority regarding improving data quality is currently focused on completing the GMP reconciliation and rectification project.

The Authority contracted a third party to undergo the reconciliation and rectification work on the GMP data. To get the output into the Authorities Administration system requires a Bulk Data Interface which has been designed by Civica. The Interface ensures the reconciled GMP data is uploaded to the correct member records, corrects any pensions, and pays any arrears due. Letters are required to the members affected. At the date of

writing this report the project is running on target to correct the bulk of payments in the August 2024 pension payroll.

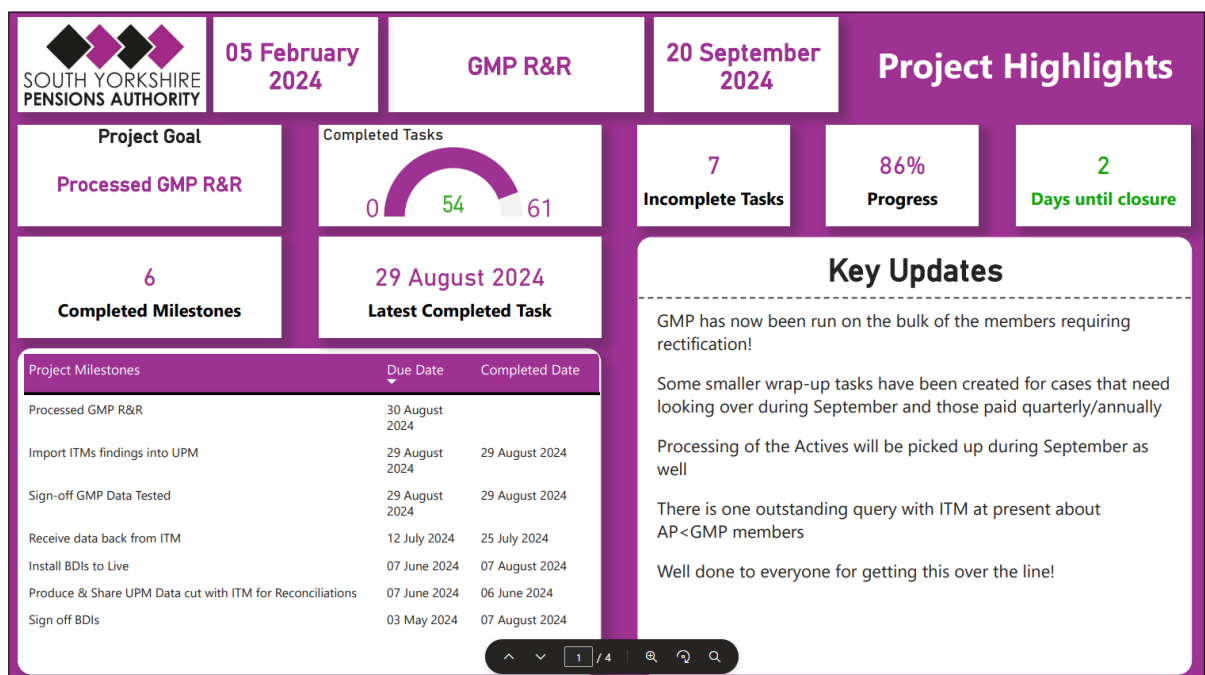
135 pensioner records increased - £28,004 annual increase - £118,914 arrears.
751 pensioner records reduced –£296,690 annual reduction – overpayments not collected.

Thus, there is a net reduction in the annual pay bill of £268,606

Pension Records updated with correct GMP – within tolerance – 5,213.

A tidy up exercise will be completed in September dealing with 86 cases subject to larger reductions. These pensioners have also received letters informing them of the change. 4 pensioners records, 2 over 85 the other 2 over 90 are not being reduced.

GMP R&R Project- 31/06824 Highlight Report



It is also worth noting that all 100,279 Annual Benefit Statements were completed by 31st August and significantly ahead of previous years. Coupled with the clearance of the previous backlog of tax work the delivery of all Pensions Savings Statements in line with the HMRC deadline of 31st October should be achievable this year for the first time in some years.

5.6 A2- Recruit to the Pensions Administration structure approved at the end of 2023.

Attraction and retention of talent has been highlighted as a primary HR concern for all LGPS administering authorities. This focus has put comprehensive scheme workforce planning into the spotlight. The Authority has introduced innovative ways to address pay

and other staff concerns, and as well as the increase in staff to appropriately structure roles within the Pension Team the pay structure was adjusted too.

The 2 newly appointed service managers, that took up their roles in May 2024 have hit the ground running and have already advertised and appointed to some vacant roles within their teams. New roles have been grade assessed and they will be advertised later in August. An additional processing team was agreed for the Benefits team, all nearly all roles have been advertised and all appointments made. It is hoped that all new staff will take up their positions before the end of August. There was 1 role, Temporary Team Leader, within the Technical and Training team that has not been able to be recruited to, so this role is being re assessed and 1 Senior Practitioner role within the Benefits team still to be recruited to.

The Employer Services Team is already using both employer data and Engagement collaborations to identify Employer Training and Staff Training needs.

25 Positions advertised. 20 successful appointments to date. 12 Internal promotions.

Service Area	Post	Recruited to Y/N	Internal/External
Employer Services	Service Manager	Y	Internal
	Engagement Team Leader	Y	Internal
	Engagement Officer	Y	Internal
	Engagement Officer	Y	External
Technical & Training	Service Manager	Y	Internal
	Technical Specialist	Y	Internal
	Data Analyst	N	Recruitment Sept
	Customer Resolution Officer	N	Recruitment Sept
	Technical Team Leader temp	N	Unsuccessful - reassess
Benefits	Team Leader x 2	Y	Internal x2
	Senior Practitioner x3	2 Y 1 N	Internal x2
	Pensions Officer x 8	8Y	Internal x3 External x5
Customer Services	Business Support Officer	N	Recruitment Sept
	Apprenticeships x2	2Y	External

5.7 A3 – System Improvements

The focus in this area is to ensure Authority is making the best use of technology, review the operational workflows and an overhaul of performance reporting.

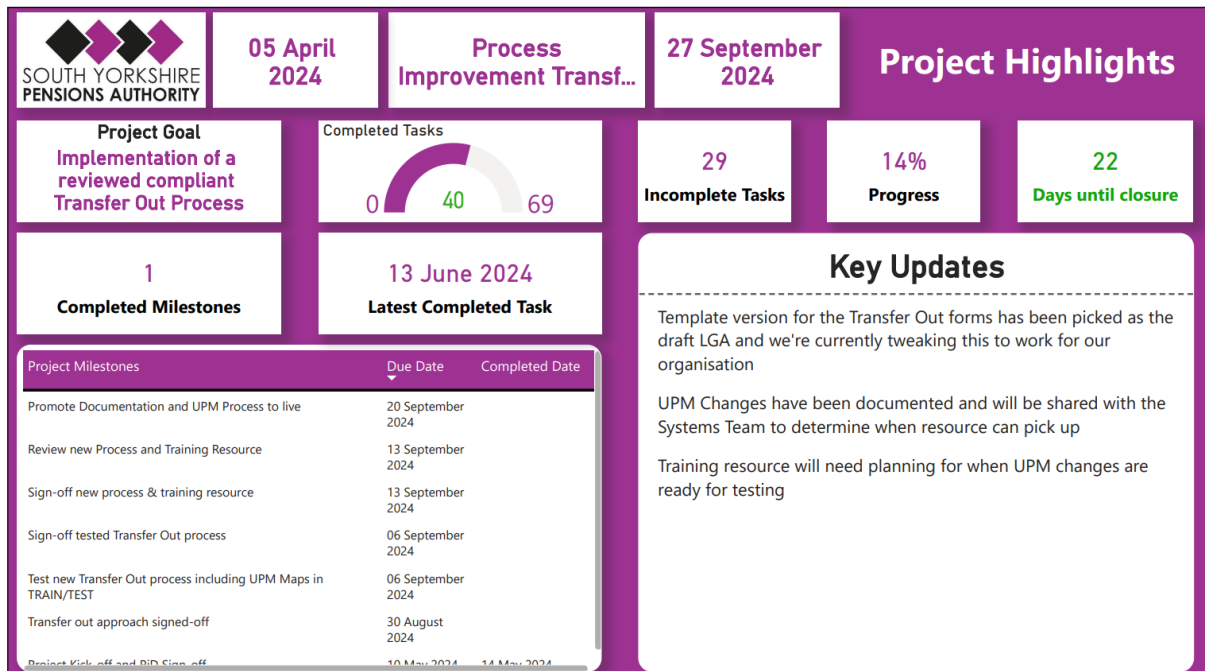
- An audit of how the Authority uses the Civica, UPM Administration system was undertaken on 5 June 2024. A report was provided highlighting improvements that can be made by either Civica or the Authority. There is a plan for many quick wins to

be implemented over the next 3 months. The report did highlight that in many areas the team were demonstrating best practice, which was a good morale boost for the staff.

- A UPM Steering Group is set up and meeting quarterly.
- A Pensions Team plan is now in place. Each of the 4 individual Teams now record and monitor work across their individual teams to ensure corporate improvements are delivered along with day-to-day workloads and other one-off projects. These are reported to the Assistant Director Pensions at least monthly.

Benefits Team Plan 2024/26						Total Number of Projects	Red	Amber	Green	Blocked
						21	2	0	11	0
							High	Medium	Low	Complete
							9	6	1	1
Project Name	Successful Outcome	Corporate Objective, BAU or Other	Priority	Lead Officer	Others Involved	Anticipated Start Date	Expected End Date	Actual End Date	Status	
Corporate Priorities										
Update Pensions Administration Strategy - A1.5 recruitment programme for new structure posts -				LG	DS				G - On Track	
Training Plan in place for new recruits - A2.3	Internal training material and plan. External training also planned			LG	SM TS, SMES				Not Started	
Workflow Review - Require a formal project to systematically reassess workflows to streamline	Full plan for when each process will be reviewed	Corporate Objective	High	LG	JW, SMTS, AK	21/04/2024	31/05/2024		G - On Track	
Draw up a plan to clear backlogs - A4.1	Estimated timescaled to clear backlogs and report to SMT and board	BAU	High	LG		01/02/2024	31/03/2024		B - Complete	
Implement plan to clear backlogs - A4.2	Reporting of backlog plan. Volumes and age of backlog will reduce over the year with the end goal of all backlogs cleared by December	A4.2	High	LG		01/02/2024	31/03/2025		G - On Track	
McCloud	McCloud processes fully embedded and all system releases successful								G - On Track	
Transfer Out Process Review	To have a clear transfer out guide and be fully compliant with TPR guidelines. Review the process so members have smooth journey with minimal impact to our workflows	BAU & Corporate Objective	High	LG	EU / ST / DH / JP / GC / VH	21/04/2024	31/07/2024		G - On Track	
Capacity Plan	Capacity model is BAU	BAU	Med	LG					G - On Track	
Backlog Recovery Updates	Monthly reporting to SMT plus quarterly reports to board	BAU	High	LG		01/03/2024	31/03/2025		G - On Track	
Death Grant Form	Built into process	BAU	Med	LG	MR / TL's	01/01/2024	01/03/2024		R - Behind Schedule	


- The first Process workflow project was the Transfer out process. This is to ensure compliance with overriding Regulations and statutory guidance. A working group has been set up and a project plan is in place. Progress is slower than hoped for in this area. The AD Pensions recently stepped in to make decisions on form requirements and restore focus within the project. Steps have been taken to get this project back on track and reduce risk of non-compliance for the Authority as shown in the highlight report below.



5.8 A4 – Clear backlogs.

A plan was introduced during February to reduce backlogs. Monthly monitoring is now in place. It is hoped that the outstanding supplemental Pension Increase payments may not have to be done completely manually so these have been taken out of the monitoring at present. Options are still being investigated, but current indications are that it will be possible to do this work within the system. The Project Team, within the Benefits Team, had been focusing on completing backlog work however during Q1 of this year their time was needed in preparation for the annual Care roll-up and Annual Benefit Statements. There was also a decrease in overtime uptake due to holidays. A full review of how the backlog has reduced and what other steps can be put in place to tackle it will be carried out in September. Feedback from team members confirms that some of the work within the backlog can take much longer to process than new case work of the same type. The new Pension Officers recruited recently are due to start in late August. Training will initially target deferment and leaver work to try and stop a new backlog building.

The intention going forward is to further accelerate progress through working at the backlog from both the older work forwards and the more recent work backwards, by using a combination of the new resource, the Projects Team and limited overtime together with targeting some senior resource which has been freed up being focussed on dealing with the more complex older cases.



Backlog Reporting

As of: **Saturday, 31 August 2024**

22426
Original Backlog

14330
Remaining Backlog

8096
All Completed Backlog

64%
Total Remaining

36%
Completed

Breakdown of Completed Backlog

296 Interfund In	345 Refund Quotes
1115 Aggregation Quotes	1632 Leavers
1488 Aggregation Settlements	1504 Deferments
1539 Standard Employer Queries	177 Recalculation of Benefits

Breakdown of Remaining Backlog

182 Interfund In	82 Refund Quotes
845 Aggregation Quotes	857 Leavers
4322 Aggregation Settlements	5762 Deferments
2206 Standard Employer Queries	74 Recalculation of Benefits





5.9 A5 – Implement the McCloud Remedy.

Implementing the McCloud remedy has been described as the biggest challenge to face the LGPS since the introduction of the CARE scheme in 2014. It is a multi-faceted project that will require considerable resource and it will take considerable time to complete the rectification work required as a result. The Authority must identify all qualifying members, including those who have left since 2014, and who did not qualify for the previous underpin, to recalculate their benefits. The Authority will also have to revisit those members who did qualify for the original underpin to see whether they are affected. That is because the original underpin regulations were not detailed enough to ensure all protected members received a CARE benefit which was at least as good as the final salary benefits would have been. The new underpin regulations include more detail to ensure it is consistently applied to all members. The Authority will need to include information about underpin protection for all qualifying members in Annual Benefit statements (ABS) from 2025.

The McCloud regulations came into force on 1 October 2023, and they required that eligible members who had their final underpin date or died before that date should have their benefit recalculated “without undue delay”. There was much debate over what exactly was meant by that phrase, and software providers had been given little time to update administration systems. DLUHC (now MHCLG) issued McCloud implementation statutory guidance in June, and at the beginning of July the Government Actuary’s Department (GAD) issued further guidance.

The Authority’s capability to progress on McCloud is limited by the lack of software development. It is worrying that the ability to rectify leavers since 2014 is not likely to be available until the end of March 2025 at the earliest. This raises a significant risk to the Authority in complying with legislation, and the Authority is working with other system users to try to bring forward the release and testing of software. This risk is now of such

significance that it is recommended that this included as a risk on the Corporate Risk Register.

The McCloud remedy statutory guidance for the LGPS in England and Wales has now been published. [202406McCloud.pdf \(lgpslibrary.org\)](#) The guidance aims to achieve a consistent application of the remedy across the LGPS and provide additional guidance on certain technical issues. Statutory guidance highlights the deadline for implementation as 1 August 2025. By this date all retrospective changes to benefits for most members should have been made, data should be up to date, and annual benefit statements (ABSs) for 2025 should reflect the McCloud remedy.

After this phase McCloud will become part of business as usual. However, for this Authority this will be driven by developments by the software provider. The guidance says that legislation may allow an administering authority to determine that the McCloud implementation phase shall be regarded as extending to 31st August 2026 for specific members or classes of members. Whilst such cases have yet to be determined, and the detail of this legislation known, this will be welcomed considering the software development delays.

In determining who qualifies for underpin protection, not only will the Fund have to write to members who could qualify for the remedy should they have membership in another LGPS or public service pension scheme and will also have to re-verify the protection status for some members (those who have other pension entitlements whose status could affect eligibility) when they eventually take their benefits. The guidance provides further information about data collection, the payment of compensation and interest, transfers, multiple sets of underpin figures, unpaid additional contributions, and what to do if the member has passed away. The guidance also formalises the order of prioritisation which was circulated in draft form some time ago.

On 4 July, GAD published further McCloud guidance for the LGPS in England and Wales, covering the application of actuarial guidance on the McCloud remedy to retrospective cases (before 1 October 2023). The guidance covers:

- Eligible members who had a relevant benefit event before 1 October 2023.
- Retirement recalculations, setting out which early and late retirement guidance notes should be used.
- Transfer top-up payments, excluding bulk and Club transfers – essentially the guidance says that only the value of any extra pension due to the underpin needs to be recalculated, original transfer values do not need to be recalculated.
- Trivial commutation top-up payments, setting out the guidance which should be used to recalculate the benefits.
- Scheme pays pension offset, covering how any previous scheme pays offsets should be recalculated to exclude any original underpin.

Guidance on cash equivalents for divorce, pension credits, and pension debits will be added in due course. The guidance does not cover interest or tax issues.

Additionally, GAD issued the following guidance notes on 3 July, which have been updated to show the additional calculations needed where a statutory underpin applies:

- Individual Incoming & Outgoing Transfers
- Pension Sharing Following Divorce

- Application of a pension debit for divorced members (transfer date from 1 April 2014)

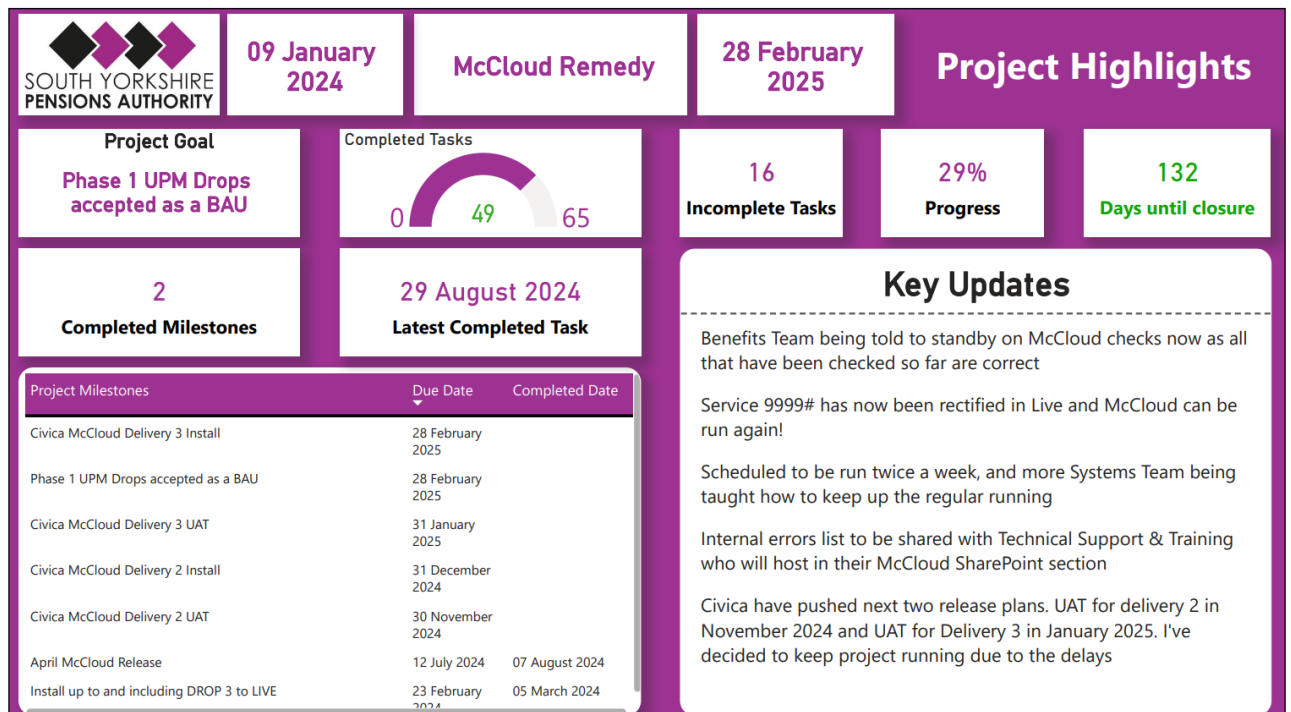
The final sections of the LGA’s McCloud remedy administrator guide is now awaited, which will cover “other calculations affected by underpin” and “revisiting past calculations”.

Members will understand, managing the work required to comply with McCloud will be a significant undertaking for the Authority and may inevitably have an impact on service levels and the Authority’s ability to meet existing priorities, such as clearing historic backlogs.

The McCloud Project team is made up of staff from most services across the Authority. Phase 1 is being implemented. This will allow some active members who leave the scheme to have their benefit calculations run through the current scheme rules and also under the McCloud protections.

Phase 2 is not expected to start until late Autumn 2024. However, based on the latest available delivery schedules there is a clear risk that the Authority's software supplier may not be able to provide the relevant software in time to allow the relevant work to be completed in line with the statutory timescales and it is recommended that this be included as a risk on the Corporate Risk Register given the significance of this project.

McCloud Project highlight Report



5.10 A6 - Successfully link SYPA to the Pensions Dashboards.

Currently assessing the Administration software providers offer. There is a considerable amount of work to be completed for the Authority to prepare for dashboards, both for the initial connection to the dashboards and the ongoing business as usual once the

dashboards are live. A project team is being set up to comply with this obligation. The project will commence in Autumn 2024.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	The costs from the improvements being implemented have been included in the Authority's approved budget. The cost of overtime is being monitored on a monthly basis within an agreed budget. GMP rectification project will reduce pensions paid pa by £268,686, however in 2024/25 the reduction will be £60,210 after considering the one-off arrears payment. Procuring an ISP to connect SYPA to Pensions Dashboards will increase annual costs and will be reflected in future years' budgets.
Human Resources	The recruitment to the agreed revised structure may lead to further recruitment requirements due to the cascade effect of internal promotions. All new recruits will also require training.
ICT	None
Legal	None
Procurement	An ISP provider will need to be procured to connect to the Pensions Dashboards programme.

Debbie Sharp
Assistant Director Pensions

Background papers	
Document	Place of Inspection
None	