



Pensions Fund Board
2 February 2016

Report from:
Mildred Phillips, HR Director

For ~~Action~~/Information*

*Delete as appropriate

Wards affected:

ALL

Capita's LGPS Pension Administration Performance 2015

1.0 Summary

- 1.1. The Local Government Pension Scheme (LGPS) is a contributory Career Average Revalued Earnings (CARE) Defined Benefit scheme whereby pensions are calculated (and revalued) on a yearly basis, based on the pensionable pay members' receive for each year. Prior to 1 April 2014, the LGPS was a Final Salary Defined Benefit Scheme, meaning that members' pensions were calculated according to their length of service in the LGPS and their final pay at the date of ceasing active membership of the scheme.
- 1.2. This report encompasses the LGPS pensions and other benefits for Brent Council pensionable employees as well as a range of other scheduled and admitted bodies within the borough area; with the exception of Teachers who are covered under their own national pension scheme.
- 1.3. The administration of the LGPS scheme locally for Brent Council was transferred to Capita Hartshead now Capita Employee Benefits, on 1 October 2011. The council is now in the fourth year of a six year contract. The pension fund has 5,368 contributors, 5,995 pensioners and 7,465 deferred pensioners¹.
- 1.4. This report reviews the performance of the Capita Employee Benefits against the contract year during October 2014 – September 2015.

2.0 Recommendations

- 2.1 The Board Members note the contents of this report.

3.0 Detail

3.1 Contract Performance 1 October 2014 to 30 September 2015

- 3.1.1 Capita's overall performance in the contract year was 81%, well below the expected standard. This low performance was in part due to the failure of

¹ Brent Pension Fund, Annual Report and Accounts 2014/15.

Capita to prepare for the changes in the Local Government Pension Scheme Regulations that took place effective from 1 April 2014. Capita suffered a significant performance breakdown during the early part of the contract year. A recovery plan was put in place with senior officers in regular contact with the Chief Executive of Capita Employee Benefits. However from October – December 2015 the backlogs which accumulated have since decreased significantly and performance has returned to within acceptable levels.

3.1.2 Every month reports are produced to assist with monitoring the performance of the contract looking at both the individual month and the overall trend, the focus is primarily on three key areas:

- Timeliness of payments
- Percentage of core KPI's (accuracy and timeliness) delivered in reference to the contract rebate scheme
- Issues logs

3.1.3 The table below shows key performance measures and outcomes:

Case type	Number of cases	Number of cases correct/on time	Performance	Contractual requirements
Timeliness of cases involving payments	499	200	40.08%	Transfer value (out) – 5wd Redundancy – 3wd Lump sum on retirement – 3wd Death grant – 3wd Refund of contributions – 10wd
Accuracy of cases involving payments	499	491	98.40%	100%
Timeliness of correspondence answered	1956	1487	76.02%	Contractual timescale 5wd
Accuracy if individual estimates and transfer quotes	964	964	100.00%	100%
Timeliness of estimates and transfer quotes	964	685	71.06%	Transfer in and out quote – 10wd Estimate of benefits (member request) – 5wd Estimate of benefits (employer request) – 3wd Bulk employer estimates (more than 9 cases) – 10wd
Accuracy - Deferred Benefits (Early Leaver)	612	612	100.00%	100%
Timeliness - Deferred Benefits (Early Leaver)	612	367	59.97%	Contractual timescale 10wd
Timeliness of new starters	877	851	97.04%	Record to be created within 10wd of receipt of the appropriate notification
Total	6983	5657		*wd, working days

Overall Performance % **81.01%**

Based on accumulative figures.

3.2 Annual Benefit Statements (ABS)

- 3.2.1 Under Regulation 89 of the Local Government Pension Scheme Regulations 2013, there is a requirement to issue Annual Benefit Statements to current contributors by 31 August of the following year. There is also a requirement under the Public Service Pensions Act 2013 to notify the Pension Regulator of failure to comply with the law.
- 3.2.2 Brent Council along with all other administering authorities had difficulty in complying with the requirement to issue members' statements by the deadline.
- 3.2.3 The Local Government Association (LGA), contacted the Pension Regulator on behalf of authorities and received a response back from them which has been included in their bulletin number 136, the relevant extract is attached to this report (appendix 1).
- 3.2.4 Of the 6,205 Brent LGPS contributors as at 23 December 2015² the position from Capita on annual benefits statements was as follows:
- 3,253 were dispatched on 7 September 2015
 - 222 were dispatched on 9 November 2015
 - 605 were dispatched on 26 November 2015
- 3.2.5 There were a number of records that Capita had insufficient information to complete an Annual Benefit Statement, therefore an initial letter stating that more information was being collated has been sent to 1,616 scheme members on 8 January 2016. Capita's account on the outstanding balance of 509 ABS records, is that these related to staff with a second duty staff i.e. those members had received an ABS statement for their substantive post, however this did not include their pension contributions for their second duty.
- 3.2.6 Of the deferred 6,573 Brent LGPS members at 16 December 2015³ the position from Capita on annual benefits statements was as follows:
- 4,848 were dispatched on 30 July 2015
 - 1,217 were dispatched on 16 September 2015
 - 508 no current address is held or notified by deferred members.

4.0 Financial Implications

- 4.1 A key function of the pension service is that benefits and other important payments are accurate and timely. The contract service standards require 100% accuracy and timeliness.
- 4.2 Contract rebates were applied throughout the contract year against Capita meaning that at times the council only paid 40% of the contract price due to the substantial shortfall in service provision. Whilst the cost of the service was

² The scheme membership levels at any particular date changes daily due to membership changes including new entrants, leavers, retirements, deaths etc. therefore the membership numbers referenced vary to those quoted at 1.3 of this report.

³ As point 2 above.

reduced as a performance measure, the service standard was significantly below what was required.

5.0 Legal Implications

- 5.1 The Public Service Pensions Act 2013 enables The Pensions Regulator to issue Improvement Notices and issue civil penalties. The Regulator has statutory objectives which include promoting and improving understanding of the good administration of work-based pensions to protect member benefits.
- 5.2 Part of the functions of the Pensions Board is to secure compliance with any requirements imposed by the Pension Regulator in relation to the scheme; and to ensure the effective and efficient governance and administration of the scheme.

6.0 Diversity Implications

- 6.1 No adverse diversity implications have been identified.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 None

Background Papers

Extract from the Local Government Association Bulletin No. 136

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Appendix 1: Extract from the Local Government Association Bulletin No. 136

LGPS England and Wales

Annual Benefit Statements 2014/15

The LGPS secretariat has received a letter from Joey Patel, Policy Lead at the Pensions Regulator, regarding the provision of annual benefit statements. The letter, which was forwarded to Funds in England and Wales by email on October 9th, said:

Thank you for outlining the issues faced by Local Government Pension Scheme (LGPS) funds for England and Wales in meeting the legislative deadline for providing annual benefit information statements to members.

The Pensions Regulator recognises the significance of the public service pension reforms, including the requirement to redesign benefits and new requirements about governance and administration.

We are aware that LGPS Funds, like all public service schemes, face a significant task in implementing the major reform of their benefit design, establishing new governance arrangements and putting in place systems to deal with the administration of the new and transitional arrangements while maintaining and integrating their legacy systems.

However, as you are aware, all public service schemes must be governed and administered in accordance with the requirements of the law. We therefore expect those involved in the governance and administration of public service schemes to comply with the law and strive to deliver good outcomes for members. It is vital that members are provided with information on their pension benefits so that they have a clear understanding of their financial position and can make informed decisions.

Where a legal duty relevant to the administration of the scheme has not been, or is not being complied with, certain people (including scheme managers, pension board members and those involved with administering the Funds) are under a duty to report breaches of the law to us if they consider that the breach is likely to be of material significance to us.

Some LGPS Funds have already contacted us to report a breach of the requirement to issue benefit information statements in accordance with the deadline stipulated in the Public Service Pensions Act 2013 (31 August 2015). Where the cause of the breach is explained as being due to significant data and IT system issues faced by Funds and Fund employers, we are minded to advise those Funds that we expect them to issue the statements as soon as possible and by the 30 November 2015 at the latest. As a matter of best practice, we also expect LGPS funds to take steps to inform affected members of the delay and when they can expect to receive their benefit statement.

Where these Funds are unable to meet this timeframe, they will need to provide us with further information, including their plan of action for remedying the breach. Plans will be considered on a case by case basis and we will consider what action to take if satisfactory plans are not in place.

However, where the breach arises for other reasons, or in conjunction with other issues, we will consider whether a different response is appropriate in accordance with our Compliance and Enforcement Policy.

Where other Funds are in breach of the requirement and have not yet considered whether or not the breach must be reported to us, scheme managers, pension board members and those involved with administering the Funds will need to consider whether they must do so, whether or not they anticipate that benefit information statements will be issued by 30 November 2015.

Our Public Service Code of practice provides guidance on judging whether a breach needs to be reported, and if so, how to report a breach of law, and our compliance and enforcement strategy outlines our approach in response to any breach that is reported to us or of which we otherwise become aware.

If LGPS Funds decide that they need to report to us, they should explain the reasons for the breach occurring and their plan to remedy it, including the timeframe, which we will take into account in determining our response.