



Pensions Fund Board
23 November 2016

Report from the Director of HR &
Organisational Development

For Information

Wards affected:
ALL

Capita's LGPS Pension Administration Performance 2016

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 1st 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 includes not only the LGPS pension scheme and other benefits for Brent Council pensionable employees but also the 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 1st October 2011. The council is now in the fifth year of a six year contract. The pension fund has 6,140 contributors, 6,241 pensioners and 7,863 deferred pensioners¹.
- 1.4 This report reviews the performance of the Capita Employee Benefits against the contract year during October 2015 – September 2016 and focuses on:
- Re-enrolment Performance
 - Annual report on Capita's Performance
 - Annual Benefits Statements

2.0 Recommendations

¹ Brent Pension Fund, Annual Report and Accounts 2015/16.

2.1 The Board Members note the contents of this report.

3.0 Re-enrolment Performance

3.1 The government introduced legislation designed to help people save more for their retirement. It requires all employers to enrol their workers into a workplace pension scheme if they are not already in one. Automatic enrolment has been designed to overcome the fact that many workers have been missing out on valuable pension benefits because they didn't apply to join their employer's scheme, or their employer didn't offer them access to a workplace scheme.

3.2 The Council's staging date for automatic enrolment was 1st March 2013, however it is a requirement to undertake re-enrolment of staff every three years. The Council decided its re-enrolment date for this purpose was 1st February 2016. The Pensions team assessed all eligible jobholders, non-eligible jobholders and entitled workers who were eligible for auto-enrolment from the 1st February 2016 and enrolled any eligible jobholders into the Local Government Pension Scheme, the Teacher's Pension Scheme or the NHS Pension Scheme.

3.3 The Council enrolled staff directly employed and also those staff employed in community schools who are also employees of the Council. Staff in voluntary aided schools, foundation schools and any academy were not enrolled as they are not employees of the Council.

3.4 Confirmation of re-enrolment went to the Pensions Regulator on 29th March 2016. The council had to report to the Regulator that Strictly Education did not enrol a number of staff on 1st February 2016. The number of staff not enrolled was 102. The matter was resolved as the staff were subsequently contacted by Strictly Education, received an apology and enrolled in March 2016 with adjustments made to the employees' pensions as necessary.

Number of eligible jobholders automatically re-enrolled into the Local Government Pension Scheme	259
Number of eligible jobholders automatically re-enrolled into the Teacher's Pension Scheme pension scheme	147
Number of eligible jobholders automatically re-enrolled into the National Health Service Pension Scheme	2
Number of workers already active members of a qualifying scheme on 1 st February 2016	4184
Number of eligible Jobholders to whom the defined benefit or hybrid scheme transitional arrangements have been applied	0
Number of workers who do not fall into the above categories	188
Total number of workers in employment on 1 st February 2016 (your re-enrolment date)	4780

4.0 Contract Performance 1st October 2015 to 30th September 2016

4.1 Capita's overall performance in the contract year was 94.7%, below the agreed standard of 100%. The performance demonstrated some real concerns when subjected to further analysis especially around payments. This is summarised in the key performance measures table below.

- 4.2 A major contributory factor to many problems the Council encountered this year were due to Capita migrating the Brent administration contract from Surbiton to their public sector pensions centre in Darlington. Capita felt it would improve performance but in fact it had the opposite effect. This was because Capita staff with the skills and knowledge previously working on the Brent contract left when the centre was moved to Darlington which meant a break in continuity and familiarity with Brent pension arrangements. Capita are in the process of rectifying the underperformance in respect of recent months following the office move.
- 4.3 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

Key performance measures and outcomes (1st October 2015 to 30th September 2016)

Case Type	Number of Cases	Number of Cases Correct/On time	Performance
Timeliness of cases involving payments	604	383	63.41%
Accuracy of cases involving payments	604	603	99.83%
Timeliness of Correspondence answered	1327	1289	97.14%
Accuracy if individual estimates and transfer quotes	920	920	100.00%
Timeliness of estimates and transfer quotes	9209	872	94.786%
Accuracy - Deferred Benefits (Early Leaver)	564	563	99.82%
Timeliness - Deferred Benefits (Early Leaver)	564	536	95.047%
Timeliness of new starters	980	973	99.29%
Total	6483	6139	

Overall Performance % 94.7%
Based on Accumulative figure to date

5.0 Annual Benefit Statements (ABS)

- 5.1 Under Regulation 89 of the Local Government Pension Scheme Regulations 2013, there is a requirement to issue Annual Benefit Statements to current contributors by 31st August each year following the end of the tax year in March. There is also a requirement under the Public Service Pensions Act 2013 to notify the Pension Regulator of failure to comply with the law.

- 5.2 There were difficulties in complying with the requirement to issue ABS by the deadline, and as a result only 66% of current contributors were sent with 73% of deferred membership receiving an ABS. It is proposed that a further 782 statements will be distributed by 30th November which will push compliance to in excess of 78% of active membership.
- 5.3 The council will need to report this under performance to the Pension Regulator together with plans about how full compliance will be achieved in the future in liaison with Capita, schools and other employers.
- 5.4 The breakdown of performance on ABS is given below.

Active Membership

Annual Benefit Statements sent to active members by 31 st August 2016.	4,035
Annual Benefit Statements that will be sent to active members by 30 th November 2016 but were delayed due to queries that have now been resolved.	782
Total number of active members as at April 2016	6,140
Total number of ABS not sent out	1,323

There are a range of issues behind this. There are a number of active pension members who have left or retired between April and the end of August 2016. Any leaver would either become a pensioner, in which case they would not receive an ABS or a deferred member in which case they should still receive an ABS. In addition, there are a number of records that require further investigation due to low or no salary information. This group could be leavers that the pension administrators have not been notified about by the various employers/schools. Capita are currently undertaking a more detailed breakdown of the 1,323 active members without an ABS.

- 5.5 Of the deferred members, the latest position from Capita as at 3rd November 2016 is given below.

Deferred Membership

Annual Benefit Statements sent to deferred by 31 st August 2016.	5,701
Total number of deferred members as at April 2016	7,863
Total number of ABS not sent out. The reasons for this are given below.	2,162
No current address. Often, when deferred members move, they do not inform the pension scheme of their new address so over a number of years, the pension scheme will lose track of individuals that do not update their address.	1,424
Capita identified these deferred members as requiring further investigation. For example, potential duplicate records, shell records, records incorrectly set up.	656
Records that do not have completed common data	82

The issue of members (deferred) without a current address is an issue that faces all pension schemes. Capita have provided a quotation to undertake the data cleansing of addresses which is being considered by officers. The quote ranges from £5,739 for a minimum check through to £35,600 for manual tracing of each case. There is a requirement under the Pension Regulations to have accurate common data of which the correct address is one item. In many cases

deferred benefits will not be eligible to be paid for a number of years after a member has ceased employment.

- 5.6 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.

6.0 Legal Implications

- 6.1 The Public Service Pensions Act 2013 enables The Pensions Regulator to request information, issue Improvement Notices and civil penalties and carry out inspections. The Regulator has statutory objectives which include promoting and improving understanding of the good administration of work-based pensions to protect member benefits.

- 6.2 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. The Pension Regulator's Draft Code of Practice stresses the need for Pensions Boards to exercise effective oversight for the Scheme's administration in circumstances where the day to day running is outsourced to an external provider and states "The legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme Schemes should ask their service providers to demonstrate how they comply with the legal standard of adequate internal controls for the services they provide."

7.0 Financial Implications

- 7.1 There are no direct financial implications.

8.0 Diversity Implications

- 8.1 No adverse diversity implications have been identified.

9.0 Staffing/Accommodation Implications (if appropriate)

- 9.1 Contained throughout the report.

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